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OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

COMPLETED 160

ORIGINAL

HEARING

BEFORE THE

SUBCOMMITTEE ON
POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

HEARING HELD IN SEATTLE, WA ON JULY 22, 1985

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CONTENTS

Page

Hearing held in Seattle, WA, on July 22, 1985 1

Statement of:

- Donovan, Carl C., president, Washington Student Loan Guaranty Association 49
- Gilroy, Dr. John, dean, school of education, Seattle University 33
- Gordon, Dr. Shirley, Highline Community College 24
- Griswold, Anna, associate director, office of scholarships and financial aid, Washington State University 52
- Morris, Dr. Ernest, vice president for student affairs, University of Washington 5
- Orrico, Brent A., senior vice president, Washington Mutual Savings 58
- Phibbs, Dr. Phillip, president, University of Puget Sound 16
- Roberts, Jonathan D., president, Associated Students of the University of Washington 42
- Rutkowski, Richard, president, Green River Community College 27
- Smith, Dr. Samuel, president, Washington State University 8
- Sullivan, Rev. William, president, Seattle University 12
- Thompson, Dr. Paul, president, Bellevue Community College 21
- Warner, Ross, student, Pacific Lutheran University 40

Prepared statements, letters, supplemental materials, et cetera:

- Brownlee, Lisa M., president of the graduate and professional student senate, University of Washington, Seattle, WA, prepared statement of 136
- Curry, Denis J., deputy coordinator, council for postsecondary education, State of Washington, letter to Chairman Ford, dated July 19, 1985, enclosing a position paper 133
- Donovan, Carl C., president, Washington Student Loan Guaranty Association, prepared statement of 50
- Failing, Robert A., cooperative education director, Spokane Community College, Spokane, WA, letter to Congressman Chandler, dated July 18, 1985, enclosing testimony 147
- Gilroy, John J., Ph.D., dean, school of education, Seattle University, prepared statement enclosing a copy of H.R. 2805 34
- Gordon, Shirley B., Dr., president, Highline Community College, prepared statement of 26
- Griswold, Anna, associate director, office of scholarships and financial aid, Washington State University; president, Washington Financial Aid Association, prepared statement of 56
- Hill, Tim, director, Professional Experience Program, Washington State University, letter to Congressman Chandler, dated July 9, 1985 139
- Morris, Ernest R., Ph.D., vice president for student affairs, University of Washington:
  - Letter to Congressman Chandler, dated September 11, 1985 135
  - Prepared statement of 7
- National Association of State Scholarship and Grant Programs, reauthorization proposal for State Student Incentive Grant Program 134
- Orrico, Brent A., senior vice president, Washington Mutual Savings Bank, Seattle, WA:
  - Prepared statement of 59
  - Supplemental statement of 130
- Phibbs, Philip M., president, University of Puget Sound, Tacoma, WA:
  - Letter to Congressman Chandler, dated September 3, 1985, enclosing responses to questions 145
  - Prepared statement of 18

Page

Prepared statements, letters, supplemental materials, et cetera—Continued
  Reed, V. Gerald, director, cooperative education and internships, Central Washington University, letter to Congressman Chandler, dated July 17, 1985, enclosing testimony 147
  Rinehart, Senator Nita, chair, Washington State Senate Subcommittee on Colleges and Universities, July 22, 1985 132
  Roberts, Jonathan D., president, Associated Students of the University of Washington, prepared statement of 44
  Rutkowski, Richard A., president, Green River Community College, letter to Chairman Ford, dated July 17, 1985 28
  Smith, Samuel H., president, Washington State University:
    Letter to Congressman Chandler, dated September 18, 1985, with enclosure 137
    Prepared statement of 10
  Sullivan, William J., S.J., president, Seattle University:
    Letter to Congressman Chandler, dated October 7, 1985, enclosing additional information 143
    Prepared statement of 14
  Thompson, Paul N., president, Bellevue Community College, prepared statement of 23
  Tsukamaki, Diane, WASFAA president, letter to Congressman Chandler, dated July 19, 1985, with enclosure 140
  "Unmet Student Financial Need in the State of Washington," a study of the "Need Gap" article from Council for Postsecondary Education, State of Washington 73
  Vignoul, Edmond, OASFAA president, University of Oregon, Eugene, OR, letter to Congressman Chandler, dated July 19, 1985, enclosing written testimony 148
  Vislocky, Michael, Graduate and Professional Student Association president, prepared statement on behalf of Graduate and Professional Student Association at Washington State University, Pullman, WA 140
  Warner, Ross H., student, Pacific Lutheran University, prepared statement of 41

OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

MONDAY, JULY 22, 1985

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
Washington, DC.

The subcommittee met, pursuant to notice, at 9 a.m., in room 200, Student Union Building, University of Washington, Seattle, WA, Hon. William Ford presiding.

Present. Representatives Ford and Chandler, Senator Daniel Evans.

Staff present: Thomas R. Wolanin, staff director; Kristin Gilbert, clerk; Rich DiEugenio; Republican senior legislative associate.

Mr. Ford. Good morning. I am pleased to call to order this field hearing of the Subcommittee on Postsecondary Education in the U.S. House of Representatives. Our hearing today will focus on recommendations and concerns with respect to the reauthorization of the Higher Education Act of 1965 as amended. This is the ninth in what we expect to be a series of 11 field hearings across the country. Prior to today, we have had hearings in Vermont, Illinois, Iowa, Michigan, New York, Missouri, and Pennsylvania. We have additional field hearings planned for Maine and Massachusetts.

The subcommittee is also about halfway through 20 hearings on the reauthorization being held in Washington. The hearings in Washington are limited to panels speaking about specific elements of the Higher Education Act of 1965. The field hearings permit the panels latitude to talk about any part of the reauthorization that they want to emphasize. We have had approximately 75 hours of formal hearings on reauthorization at this point and at the present rate I guess we'll have another 75 before we finish. But I must tell you before we start that even with this the most ambitious hearing schedule that I have ever been involved in in 21 years with the Congress, because of the interest and the complexity of the multifaceted student aid programs and institutional aid programs in the Higher Education Act, there are clearly far more people everywhere we go who would like to be on a panel that we can possibly accommodate in the limited time that we have. We will have to get out of here today and arrive back in Washington tonight and there will be another hearing there tomorrow morning and one Wednesday afternoon and then another Thursday morning. So we have a full week with this.

For that reason, if there is anybody here who would like to have their thoughts and comments added to the record contemporaneously with the appearance of this panel in Seattle, please submit them to us and we will be most pleased to include them in the record. In addition to that, if you hear something in the presentation today that provokes a thought or an idea with you, please respond to it or add to it or endorse it if you will and let us know about that. We do not want to overlook the one single good idea that might be anyplace in anyones' mind across the country that will be useful to us when we set about writing this legislation early this fall.

The Higher Education Act is the primary source of Federal support for students in higher education. It must be reauthorized in this Congress because we are on a 5-year cycle from the previous reauthorization and that cycle will run on us next year and we will be operating next year on the automatic 1 year extension.

Our present expectation is that the House should mark up this bill and report it up before we adjourn this fall and the Senate will begin work on it immediately on the Congress returning in January and we should be in conference before this time next year.

There is a clear understanding on both the House and the Senate side on the need to move with all the dispatch we can but we are still nevertheless doing it as laboriously as we can afford to in order to give the attention that important programs like this demand to them.

In the coming school year at the present rate of expenditure, there will be a little more then $13 billion made available to students on the basis of grants, loans and work opportunity and that aid will go to approximately 6 million students attending 6,000 institutions of postsecondary education in the United States. These student assistance programs are the centerpiece of the Higher Education Act because starting in mid-1960's we were gradually but very consistently over the years shifting the resources from institutional aid to student aid so it is the student making the choice of where he or she is going to seek an educational opportunity who is really directing the flow of these funds between institutions, it is not Government formulas that decide basically how the big money gets to this particular campus but really the students who elect to come here and that is why a public institution like this that has a very broad mix of economic levels represented in the student body would have a relatively high percentage of students receiving aid while some other schools without that mix might not have that.

This morning I have with me a new member of the committee, not on this subcommittee, he is on the full committee and has participated in the hearings on the budget proposals of the administration on higher education. And under the rules of the committee for the purpose of this hearing and any other hearing, he is a member of the committee with whatever responsibilities that entails. We worked together on elementary and secondary issues in particular and his commitment to education, his experience as a State legislator and as a Member of Congress and his common sense and hard work have made him a very valuable member of our committee and of the Congress. I am particularly interested in the attention that he has shown to the issue of providing quality teachers to meet the future educational needs of our country and we will be considering some of his proposals during reauthorization.

I would yield at this time to Rod for any comments he wants to make and I think he has another guest that he would like to introduce as an old friend of ours.

Mr. **Chandler**. Well, Mr. Chairman, I want to thank you very much for those very kind words and formally thank you for bringing these field hearings to Seattle. We are very proud of higher education in the State of Washington both public and private and I think the panels today will demonstrate to you that quality. We are lucky to have a chairman like yourself as a friend of higher education, I'm excited about the possibility of one particular bill, H.R. 2805 that would do just what you mentioned, add to the core of teachers in math and science and other technical areas by drawing on those persons who might find themselves at a mid-career point in their lives where they desire a change in their career and are considering a teaching career.

Now, what you perhaps do not know is that the man to my right is responsible for much of the quality of public higher education in the State of Washington, certainly the community college system, certainly a 4-year college that he not only helped to found but guided for a number of years. He was a heck of a Governor, is a fine U.S. Senator, and an all around good guy. If you do not mind, I think he would probably add as much as any panelist here to these hearings. If I may, with your permission, I would like Senator Evans to comment.

Mr. **Evans**. Thank you, Rod, I was about to look around and see if Slade was in the room. Mr. Chairman, it is always a privilege to be with you. I know that over many, many years I have had the opportunity to appear before your committee, first as Governor and then in the same circumstances as my former colleagues who sit out in front of you today.

Just for a moment I would like to reflect on the current situation in Congress which disturbs me very much; I have always been an optimist about our ability to handle our current deficit and budget; I am no longer an optimist, I think we are in very deep trouble and in deep trouble mostly because many of the elements required to do an effective job have been taken off the table. And unfortunately, taken off the table primarily by the President and the Speaker of the House. When you take off Social Security and other cost of living allowances and you take off military spending and taxes, that only leaves one major area for continued budget probing. That is in the great arena of domestic programs and, specifically, in higher education. That is why I currently am a pessimist. I think we have somehow got to broaden our sights and come to an agreement because the fine things being considered now by this panel and eventually by the Senate in a reauthorization of the Higher Education Act will come to naught if we afterwards are unable to meet those authorizations with any kind of reasonable appropriations. And I hope that somehow as we go back in these next couple of weeks before the summer recess we find it in our ability to come together on a much more substantial package than any that has been suggested so far. In doing so we will preserve the opportunities, the very important opportunities in education which I think more than anything else reflect our investment in the future of our country.

Mr. FORD. Thank you very much. The Senator is modest, I have had experience not only of seeing him in the Senate but had him in my office very forcefully and directly—and I do not think it is a bad word—lobbying in the interest of his views on education during the period between his governorship and service in the Senate. I know of his commitment to education.

I would like to say to the University of Washington people that we are very grateful that you have made these facilities available to us and for the cooperation we have had in arranging this hearing and point out that you gave me something very valuable already this morning. Dr. Wolanin and I discovered a condition of getting your car through the gate onto this campus is to buy a $3 parking ticket which we duly purchased. We would like if it is at all possible to show that ticket to the Secretary on his next appearance before the committee to demonstrate that indeed the colleges are not sitting back waiting for the Federal Treasury but are engaged in very active and aggressive self help. David Stockman has been advocating users fees and it is the finest example of users fees and self help I can see. I think it is relevant with the three bucks frankly to have had that experience so that at the appropriate time we can remind those who think all brilliance lies with the secretaries and the munchkins in Washington and realize that Washington on the other end of the country is not the only one with a great deal of imagination and responsibility.

We are not able to accommodate Senator Rinehart this morning on the panel but she has prepared a statement for the record which will be inserted in the record with the other statements presented here today and I want to extend to you, Senator, an opportunity to stay in contact with us in your capacity as chairman in the Higher Education Committee in the Senate and indeed we have at this time I think more than anytime in 21 years I have been working with these programs had more interest from representatives of State legislatures concerning the interaction between the Federal programs and State programs than we have in the past. I think that is very good. As a former State Senator myself, I found that the legislatures in the past have not in general been given an active voice in helping us to tailor Federal policies so that it matches State policy and we look forward to cooperating with you.

Our first panel is Dr. Ernest Morris, vice president for student affairs, University of Washington, Rev. William Sullivan, president of Seattle University, Dr. Sam Smith, president of the Washington State University and Dr. Phillip Phibbs, president of the University of Puget Sound. Without objection, the prepared testimony submitted by each of the panelists appearing on this panel and the subsequent panels will be included in the record. You may proceed to add to your comments substitute or editorialize in any way you feel you would like to make the most emphasis on the points you wish to make. And we will start with the host institution Dr. Morris.

STATEMENT OF DR. ERNEST MORRIS, VICE PRESIDENT FOR STUDENT AFFAIRS, UNIVERSITY OF WASHINGTON

Dr. **Morris**. Thank you, Mr. Chairman, Congressman Chandler, Senator Evans. On behalf of President William P. Gerberding who is unable to be here today and other members of the university community, I am pleased to welcome you to the campus.

We appreciate this opportunity to comment on some of the important issues with which you and your colleagues will be grappling in the coming weeks and months. While I do not intend to comment on specific proposals which have been put before you in recent weeks, I will make some general observations about the need for a balanced and adequately funded program of Federal financial assistance using recent experience on this campus as a frame of reference. By the way, Mr. Chairman, we are thankful to you for your long standing and effective advocacy of the TRIO programs and other endeavors designed to promote broad and meaningful access to higher education in this country.

The University of Washington is a comprehensive center of higher learning, offering a wide range of undergraduate and graduate professional programs of study. Among other things, it is characterized by a richly diverse ethnic and cultural mix of students, a quality of which we are very proud.

At the outset of the 1984-85 academic year, there were 34,452 students enrolled here of which 16.4 percent were members of minority groups. 25,928 of those students were undergraduates, some 19.2 percent of whom were minority group members and 8,524 were graduate professional students 8 percent of whom were minorities. As these figures demonstrate, we are a multi-cultural, multi-ethnic reflection of a society at which we reside and it is doubtful, indeed highly improbable that we could have become so in the absence of federally funded student aid programs. Moreover, while minority students constituted somewhat more then 19 percent of our undergraduate enrollments last fall, they represented about 35 percent of our undergraduate aid recipients which underscores the vital role of financial aid programs and promoting access.

Overall, in 1984-85, about 12,000 University of Washington students, roughly 35 percent of the total enrollments received approximately $35 million in various forms of financial aid. Some 85 percent of the aid, about $30 million was derived from Federal sources. The remaining 14 percent was received from a combination of State and private sources. The relative Federal share of the assistance available to our students has not changed significantly in the recent years. Over time, however, the forms of the assistance have shifted and I will say more about this later. We are both appreciative of congresional support of these programs and sobered by the degree to which substantial numbers of students must depend on them to help fund their educational pursuits.

On another matter, we think the continuing debate over whether Federal aid programs should be restricted to promoting access to the possible exclusion of considerations of choice is most unfortunate. It need not be, nor should it be an either/or proposition. Without question, the goal of fostering access must be paramount in deliberations regarding the distribution of limited financial aid resources; however, needy students should be able to choose from among the broad range of institutional types in this Nation, both private and public so long as allowing them to do so does not contribute to such odious practices as racial and other forms of discrimination.

It has been a matter of policy for many years to make Federal financial assistance available to needy students wherever they may be. This policy is consistent with the longstanding view that the national interests are well served by pluralistic system of higher education, one which provides opportunities for individuals to develop their intellectual talents and to grow more broadly in a variety of institutional types. We think this view merits continued support.

Prior to concluding these remarks and again without commenting on specific proposals, I want to emphasize three issues to which we hope you will be especially attentive during your deliberations.

First, financial aid programs should be adequately funded. At a minimum, funding levels should insure reasonable access and be appropriately sensitive to upward adjustments in costs. As is true elsewhere, this campus has lost ground in recent years and we applaud congressional efforts to rectify this sitution.

Second, the mix of Federal financial aid, that is loans, grants and work warrants careful examination. In 1975-76, student loans nationally constituted 19.6 percent of the total Federal and State financial aid. In the last academic year however, it is estimated that loans represented more than 60 percent of the total aid. The increased reliance on loans here over the past decade has probably been consistent with the national pattern as evidenced by the fact that in 1984-85, loans represented about 64 percent of our overall aid program. Grants and work study constituted 28 percent and 8 percent respectively of our program last year. We anticipate a similar mix in 1985-86. In addition, even though work study is an important and desirable element of our program, in fact, our aid recipients are generally expected to work, there are some practical limits on the degree to which students can or should rely on this source of support.

Finally, in recognition of the legitimate and widespread concern about the need to use scarce resources more efficiently, we think a careful evaluation of the aid delivery system is needed, with a view to streamlining the process for students and reducing the administrative burden on institutions. For example, the manner in which the Pell Grant Program is managed appears to be unnecessarily costly and unwieldy and largely duplicative and it may be possible to achieve significant savings through certain adjustments in its procedures. Similarly, consideration might be given to modifying certain elements of the guaranteed student loan program, again with a view to improving efficiency. I understand that several possible modifications have been proposed in recent weeks and that Mr. Donovan and others will be discussing them in greater detail later this morning. Thank you.

[Prepared statement of Dr. Ernest Morris follows:]

PREPARED STATEMENT OF ERNEST R. MORRIS, PH.D., VICE PRESIDENT FOR STUDENT AFFAIRS, UNIVERSITY OF WASHINGTON

Mr. Chairman, members of the Subcommittee, I am Ernest R. Morris, Vice President for Student Affairs at the University of Washington. On behalf of President William P. Gerberding, who is unable to be here today, and other members of the University community, I am pleased to welcome you to the campus.

We appreciate this opportunity to comment on some of the important issues with which you and your colleagues will be grappling in the weeks and months ahead. While I do not intend to speak to specific proposals which have been put before you, I will make some general observations about the need for a balanced and adequately funded program of federal financial assistance, using recent experience on this campus as a frame of reference. (By the way, Mr. Chairman, we are aware of and indebted to you for your longstanding and effective advocacy of the TRIO programs and other endeavors designed to promote broad and meaningful access to higher education in this country.)

The University of Washington is a comprehensive center of higher learning, offering a wide range of undergraduate and graduate/professional programs of study. Among other things, it is characterized by a richly diverse ethnic and cultural mix of students—a quality of which we are very proud.

At the outset of the 1984-85 academic year, there were 34,452 students enrolled here, of which 16.4 percent were members of minority groups. Twenty-five thousand nine hundred and twenty-eight (25,928) of those students were undergraduates (some 19.2 percent of whom were minority group members) and 8,524 were graduate/professional students (8 percent of whom were minorities). As these figures demonstrate, we are a mulitcultural, multiethnic reflection of the society in which we reside, and it is doubtful—indeed, highly improbable—that we could have become as in the absence of federally funded student-aid programs. Moreover, while minority students constituted somewhat more than 19 percent of our undergraduate enrollments last fall, they represented about 35 percent of our undergraduate aid recipients, which underscores the vital role of financial-aid programs in promoting access to postsecondary learning opportunities.

Overall in 1984-85, about 12,000 University of Washington students (roughly 35 percent of the total enrollments) received approximatley $35 million in various forms of financial assistance. Some 86 percent of the aid (about $30 million) was derived from federal sources—the remaining 14 percent was received from a combination of state and private sources. The relative federal share of the assistance available to our students has not changed significantly in recent years (over time, however, the forms of the assistance have shifted, and I will say more about this later), and we are both appreciative of congressional support of these programs and sobered by the degree to which substantial numbers of students must depend on them to help fund their educational pursuits.

On another matter, we think the continuing debate over whether federal-aid programs should be restricted to promoting access, to the possible exclusion of considerations of choice, is most unfortunate. It need not be—nor should it be—an either/or proposition. Without question, the goal of fostering access must be paramount in deliberations regarding the distribution of limited financial-aid resources. However, we should also be mindful of the importance of maintaining choice to the maximum reasonable extent. Needy students should be able to choose from among the broad range of institutional types in this nation—both private and public—so long as allowing them to do so does not contribute to such odious practices as racial and other forms of discrimination.

As you know, it has been a matter of policy for many years to make federal financial assistance available to needy students wherever they may be. This policy is consistent with the longstanding view, embraced by educators and others, that the national interests are well served by a pluaralistic system of higher education, one which provides opportunities for individuals to acquire and refine their intellectual and other skills in a variety of institutional types. We think this view merits continued support.

Prior to concluding these remarks—and again without commenting on specific proposals—I want to emphasize several issues to which we hope you will be especially attentive during your deliberations:

Firstly, financial-aid programs should be adequately funded. At a minimum, funding levels should ensure reasonable access and be appropriately sensitive to upward adjustments in costs. As in true elsewhere, this campus has "lost ground" in recent years, and we applaud recent congressional efforts to rectify this situation.

Secondly, the mix of federal financial aid (that is, loans, grants and work) warrants careful examination. In 1975–76, student loans nationally constituted 19.6 percent of the total federal and state financial aid. In the last academic year, however, it is estimated that loans represented more than 60 percent of the total aid. Although precise figures are not available for this campus, the growth in reliance on loans here over the past decade has probably been consistent with the national pattern, as evidenced by the fact that in 1984–85, loans represented about 64 percent of our overall aid program. Grants and work-study, respectively, constituted 28 percent and 8 percent of our program last year. We anticipate a similar mix in 1985–86. In addition, even though work—more precisely, work-study—is an important and desirable element of our program (in fact, our aid recipients are generally expected to work), there are some academic and other practical limits on the degree to which students can or should rely on this source of support.

Finally, in recognition of the legitimate and widespread concern about the need to use scarce resources more efficiently, we think a careful evaluation of the aid-delivery system is needed, with a view to streamlining the process for students and reducing the administrative burden on institutions. Of course, this is not a new issue, and some might term it more a regulatory than a legislative one, but it is important. We think a number of efficiencies and improvements in the system might be effected. For example, the manner in which the Pell Grant Program is managed appears to be unnecessarily costly and unwieldy, and largely duplicative, and it may be possible to achieve significant savings through certain adjustments in its procedures. Similarly, consideration might be given to modifying certain elements of the Guaranteed Student Loan Program, again with a view to improving efficiency. I understand that several of these possible modifications, including requiring multiple disbursements and a full needs test, have been proposed in recent weeks, and that Mr. Donovan and others will be discussing them in greater detail later this morning.

Thank you for your attention.

Mr. **Ford.** Thank you very much. Dr. Smith.

STATEMENT OF DR. SAMUEL SMITH, PRESIDENT, WASHINGTON STATE UNIVERSITY

Dr. **Smith.** We thank you, Mr. Chairman and members of the panel. I'd like to point out that in attendance at the hearing this morning, we have other representatives from Washington State University. We have David Pridemore the president of the Associated Students of Washington State University, Michael Vislocky, president of the Graduate and Professional Student Association, and Anna Griswald, associate director of the Office of Scholarships and Financial Aid and the president of the Washington Financial Aid Association.

I wish to commend you, Congressman Ford on your shared interests and ongoing concerns for Higher Education in the face of other equally important national concerns which I'm sure assume a great deal of your time and energy. Just under 40 percent of the students at Washington State University benefit from one or more student assistance programs and I am concerned with the spiraling costs of education as our students and their families are.

We know that inflation has decreased the purchasing power of the dollar; we also know that while costs have increased, family income and student aid certainly have not proportionally increased. There are four major points I wish to emphasize in my remarks today. Now, there are other technical issues which are equally important and I am sure the financial community in various higher education associations will speak to them in more detail.

I would like to comment then on four major points. First, the maintaining of an appropriate balance of loan, grant and work programs to avoid unrealistic indebtedness; there is a definite need to increase grant assistance for high-need undergraduates and provide grant assistance to high-need graduate students to avoid excessive debt burdens caused by the present imbalance of loan and work programs over grants.

The second point, is reducing the cost of the Guaranteed Student Loan Program without hurting the students and middle income families who benefit from the program. I urge that the integrity of the Guaranteed Student Loan Program be maintained as cost-cutting measures are considered.

I would like to also point out that it is quite impressive that the State of Washington's student loan default rate is only 4.6 percent which is slightly less than half of accumulative default rate nationwide of 9.4. Washington State University's default rate is even lower. Our students and those in this State have a good reputation to repay these loans.

Mr. FORD. Well, Dr. Smith, I just have to stop you. Are you talking—when you talk about the Washington default rate, are you talking about the gross default rate or the net default rate?

Dr. SMITH. My understanding that we are talking about the net.

Mr. FORD. Well, the figure you gave us for the national is the gross figure. The national figure is less then 5 percent.

Dr. SMITH. OK, that must be the gross rate, obviously. I know we used the same rates for both the State and for the Federal.

Mr. FORD. Maybe we can clear that up with the person from State Guarantee Agency. Go ahead.

Dr. SMITH. OK, item 3 is program consolidation. We are opposed to the proposal to consolidate the title IV program into one grant, one work and one loan program. The current configuration of campus based aid programs has proven to be instrumental in serving the needs of individual students. Consolidation of these programs could diminish the support that they have enjoyed in Congress because of their unique characteristics and purposes. The concepts of institutional flexibilitv in program simplification often associated with consolidation can be achieved through other efforts directed toward improving the delivery system.

Item 4, the cost of ensuring proper administration and compliance with a title IV program. Administrative allowances should be provided for each major title IV program and should cover a reasonable portion of administrative cost of each program to insure good stewardship of the Federal funds. I would like to emphasize the important role that Federal student aid programs must play in educating our Nation's citizenry and appropriate targeting of Federal student assistance on needy students.

Clearly, the student and the parent have a primary responsibility within their financial means to finance the cost of a college education; however, after that contribution, the Federal program should focus the resources to allow needy students to meet their educational objectives. These two principles are essential to the preservation of a sound policy of Federal Student Assistance Programs and I am convinced that the results of reauthorization will likely determine the longstanding role of education as a national priority.

To this end, Mrs. Lola Finch, who is our director of scholarships and financial aid, and myself are available to assist the committee in any way possible. Thank you.

[Prepared Statement of Dr. Samuel Smith follows:]

PREPARED STATEMENT OF SAMUEL H. SMITH, PRESIDENT, WASHINGTON STATE UNIVERSITY

Mr. Chairman, Members of the Subcommittee, I am Dr. Samuel Smith, President of Washington State University. Also in attendance at this hearing from WSU are David Pridemore, President of the Associated Students of Washington State University; Michael Vislocky, President of the Graduate and Professional Student Association; and Anna Griswold, Associate Director of the Office of Scholarships and Financial Aid and President of the Washington Financial Aid Association.

I appreciate very much the opportunity to appear before this subcommittee in Seattle. Even in my short tenure as president, (three weeks, in fact) I gave this invitation very high priority because of the importance of the pressing issues which face the process for Reauthorization of Title IV of the Higher Education Act and their potential impact upon needy students in attendance or looking forward to attending Washington State University and other institutions in our state.

I wish to commend you, Congressman Ford, for your shared interests and ongoing concern for higher education in the face of other equally important national concerns which consume your time and attention.

I would hope that the context for which reauthorization of the higher education amendments will occur can result in the reaffirmation of the federal government's role in assuring access and choice of all students who can benefit from a postsecondary experience. Within this framework, maintaining and even increasing student aid funds can, hopefully, be viewed as contributing to part of the solution to our nation's state of the economy and budget deficit, not adding to the problem.

Just under forty percent of the students at Washington State University benefit from one or more student assistance program(s). I am concerned with the spiraling costs of education, as are students with their families. We know that inflation has decreased the purchasing power of the dollar and we also know that while costs increased, family incomes and student aid certainly did not proportionately increase.

There are four major points that I wish to emphasize in my remarks today. There are other more technical issues which are equally important to which the financial aid community and various higher education associations and agencies are giving their cooperative energies and expertise. These I will not address, but I wish to recognize the time and effort I know it takes to develop responsible positions and recommendations that will serve the broad spectrum of needs of postsecondary institutions.

(1) Maintaining an appropriate balance of loan, grant, and work programs to avoid unrealistic indebtedness obligations.

The availability of loan, grant, and work study programs has allowed for a mix of student aid support which maximizes individual and family contributions and to an extent deals with unique circumstances of high need students. This structure has allowed individual campus flexibility in meeting various student needs.

In recent years federal budget constraints have contributed to an erosion in the student aid grant programs that has forced many needy students to turn to loans as the primary source of financing their postsecondary education. These students will leave school with unreasonably high levels of indebtedness. If allowed to continue, this imbalance will force many qualified and deserving students to forego a college education. This nation has enjoyed a strong educational system primarily because it affords individuals the opportunity to select from among a wide variety of educational service providers.

Support for students at the graduate level suggests the need for change and program availability when compared to undergraduate education. The issue today is what is the proper mix of financial aid programs at the graduate level which most effectively and appropriately achieves national stated goals and manpower needs involving graduate students without doing harm to programs of access and choice of undergraduates.

There is need to increase grant assistance for high need undergraduates and provide grant assistance to high need graduate students to avoid excessive debt burdens caused by the present imbalance of loan and work programs over grants.

(2) Reducing the costs of the Guaranteed Student Loan (GSL) program without hurting the students and middle income families who benefit from the program is of major concern to our student body.

The issue of appropriate balance leads me to comment upon the importance of the Guaranteed Student Loan Program as it currently serves a significant number of students at Washington State University.

Mr. Carl Donovan, President of the Washington Student Loan Guaranty Association and a panel of presentors at this hearing have given thoughtful consideration to specific Guaranteed Student Loan administrative efficiencies as well as recommendations related to appropriate loan limits and loan consolidation authority. Given the forced dependency on loans for many students, it is essential to provide a mechanism that will encourage repayment and provide an alternative for students who otherwise might be forced to default on their loans due to excessive concurrent repayments.

On the other hand, it is impressive to note that the state of Washington's GSL default rate is 4.6 percent, which is slightly less than half of the cumulative default rate nationwide of 9.4 percent. Washington State University's default rate is even lower than the state of Washington's.

I urge that the integrity of the Guaranteed Student Loan program be maintained as cost cutting measures are considered. It is obvious to me that the loan limits can be raised to accommodate the needs of students that the loan program is serving in the state of Washington.

(3) Program consolidation.

The current configuration of campus-based aid programs has proven to be instrumental in serving the needs of individual students. Consolidation of these programs could diminish the support they have enjoyed in Congress because of their unique characteristics and purposes. The concepts of institutional flexibility and program simplification often associated with program consolidation can be achieved through other efforts directed towards improving the delivery system.

I am opposed to the proposal to consolidate Title IV Programs into one-grant, one-work, and one-loan program.

(4) The costs of ensuring proper administration and compliance of Title IV Programs.

Currently, a formula is applied to calculate the amount of administrative allowance for the National Direct Student Loan, the Supplemental Educational Opportunity Grant, and the College Work Study Program. Each Pell Grant recipient results in a five dollar administrative allowance. There is no administrative allowance appropriation for the Guaranteed Student Loan program and yet it is the largest volume program at many institutions and more costly due to its separate application process.

The administrative allowances currently provided for the administration of the campus-based and Pell Grant programs should be increased, and administrative allowances provided for the GSL and PLUS (Parent Loan for Undergraduate Student) programs. The detailed regulations for administering these programs make it very difficult for aid administrators to fulfill all of the requirements and still serve students in a timely manner. The many and highly detailed transactions that are mandated in order to comply with the complex program regulations and delivery system are costly.

Administrative allowances should be provided for each major Title IV Program and should cover a reasonable portion of the administrative cost of each program to ensure good stewardship of federal funds.

In closing, I would emphasize the important role that federal student aid programs must play in educating our nation's citizenry and the appropriate targeting of federal student assistance on needy students. Clearly, the student and the parent have the primary responsibility within their financial means to finance the costs of a college education. However, after that contribution the federal programs should focus resources to allow needy students to meet their educational objectives. These two principles are essential to the preservation of a sound policy for federal student assistance programs. I am convinced that the results of reauthorization will likely determine the long standing role of education as a national priority. To this end Mrs. Lola J. Finch, Director of Scholarships and Financial Aid at Washington State University and I are available to assist the committee in all ways to further react to reauthorization proposals and to provide input and statistics in response to any requests of your subcommittee.

Thank you for the opportunity to appear before you.

Mr. **Ford**. Thank you very much. Father Sullivan.

STATEMENT OF REV. WILLIAM SULLIVAN, PRESIDENT, SEATTLE UNIVERSITY

Mr. SULLIVAN. Mr. Chairman, Representative Chandler, and Senator Evans, I appreciate very much the opportunity to welcome you, Mr. Ford, to Seattle. It gives me the chance to express my appreciation and our appreciation for the leadership that you have long shown as a Member of the House and also as Chair of the National Commission during these recent years in that very complex area of the relation between higher education and the Federal Government. My comments this morning will be general in nature, you certainly have the benefit of extensive technical expertise on these topics. I would like to step back for a moment and look at them from the point of view of the President of a medium sized independent university.

My own university furnishes many examples of both the benefits of the Federal Financial Aid Program and some of the problems which you are struggling with in the reauthorization hearings. Seattle University is a 94-year-old institution, 1 of the 28 Jesuit Colleges and universities. It enrolls approximately 4,500 students, three-quarters of whom are from the Puget Sound region. It is truly a public service university at the other end of the spectrum from that imaginary country club private university that is so familiar from the reveries of Mr. Bennett. The overwhelming majority of our students work to earn part of the cost for their education. Forty-nine percent of them are over 25 years old, 11 percent are American ethnic minorities, a percentage which is surpassed by only one of the States 4-year universities here in Washington. We are not a parochial institution, less then half of our students are Catholic and the non-Catholic majority shows an extraordinary diversity of religious background.

In terms of the education of Washington State residents, only one of the States 4-year institutions has a greater percentage of Washington citizens enrolled than does Seattle University. In terms of family financial background, a study done several years ago by the State Council on Postsecondary Education showed that the average family income of our Seattle University students was lower than that of our sister institution here at the University of Washington.

All of this contributes, I think, to the use, the proper use of the term public service university for an institution such as Seattle University. I have long argued and I believe Seattle University exemplifies that argument that the term "public" should not be reserved for governmental institutions but it is properly applied to a broad range of institutions both governmental and independent which are in the public service.

I would like very briefly to address what I consider to be one of the root issues that you are dealing with in the whole reauthorization process. One of the cardinal principles of the Federal role in higher education going back at least to the Higher Education Act of 1965 has been the attempt to equalize opportunity of access to postsecondary institutions for all our citizens, whatever their ethnic and/or economic backgrounds. This goal of promoting some freedom of choice in the matter of a college or university has been built into many, if not all, of the forms of Federal financial assistance during those years. It is a magnificent expression of the root traditions of American society, that is to say the Jeffersonian idea of the societal value of education and the Lincolnesque principle of equal opportunity for all.

From our history and experience has come this ideal of an aristocracy of achievement arising out of the democracy of opportunity and it is one of the glories of the Federal programs in the last 20 years that they have tried to make that principle operational. However, in the last few years, there has been a very definite erosion of the practical realization of that principle. For a series of complex reasons, students from lower income groups and even from the lower middle income sectors have been deprived of any real choice about where they will attend college and are being forced by financial pressures out of the independent sector.

The statistical evidence for this trend is incontrovertible and the trend is accelerating. In addition to this, we have had in this past year the extraordinary spectacle of the Secretary of Education espousing the idea that the Federal Government has no interest in making such real options available, that it has no role in giving some of our most talented but economically underprivileged citizens the chance to develop themselves at an independent institution and that, "poor folks ought to go to community colleges anyway", an unbelieveable but actual statement from the Secretary of Education.

Mr. Ford and Mr. Chandler, I believe that one of the most important things that Congress can do in its reauthorization work is to reassert clearly and powerfully the traditional congressional commitment to some freedom of choice for all and to do this so loudly and clearly that even the Secretary of Education will get the message.

Why has this idea of equality of access been under such pressure in these recent years? The answer lies, I believe, in the massively growing gap between the subsidized tuition price in our State institutions and the realistic cost tuitions in the independent schools to the degree that the Federal Financial Aid Programs do not in any way reflect these radically different pricing mechanisms, that is to say to the extent that they are not tuition sensitive. To exactly that degree, the Federal programs unwittingly will compound the problem and further reduce the possibility of a poor or economically underprivileged student selecting the college or university of his or her choice.

Can anything be done about this in the reauthorization process? One very partial but I think very important effort is included in the NAICU proposal for the modification of the Pell grant system. As you know, we the presidents of the independent sector universities have proposed that the Pell grant system be brought back closer to its original purposes by limiting its grants to one-half of the hard costs of education, that is to say tuition, mandatory fees and books, this would eliminate the present use of Pell grant money for living expenses and in this sense limit the amount of grant money that is going to cover these practically uncontrolled living cost categories.

This kind of modification is joined with a second, that is to say the NAICU Pell grant proposal addresses the problem of the very low-income student, the one for whom the cost-of-living issue is acute. What NAICU has proposed in testimony before your committee in Washington is a second series of grants for the very, very needy students which would substantially aid in covering their living expenses but that second series of grants would be restricted to the deep need students.

The combination of these proposals would focus the Pell grant on the hard costs of education and make it at least partially price sensitive and at the same time would recognize and respond to the needs of the very low income student.

In expressing here again before you my support for the NAICU Pell proposal, I would like to modify that proposal in one respect. I would like, if I may, to suggest to Mr. Chandler, and through him to his colleagues on the House subcommittee, that this new second tier of grants which I referred to, that is to say the cost-of-living grants for the deeply needy students should not in the future be called Pell grants but rather should be known as Ford grants. I am proposing, Mr. Chandler, that they should be named for the chairman of the subcommittee, for a man who during all of his 21 years in Congress has been dedicated to the support of higher education, to the principle of freedom of access, and to the assistance of the very truly needy in our society. This modified NAICU proposal featuring a Pell grant limited to hard costs and a new Ford grant could be a powerful instrument in writing the imbalances that have come into the Federal financial aid system in recent years.

In summary, this proposal, together with a modified GSL proposal, would contribute to the achievement of three very desirable goals. First of all, the better coordination of the various elements of the Federal financial aid system, second, the more effective targeting of the Pell funds on the hard education costs of lower income students and third, the promotion of the goal of freedom of choice of college and university by lower income students.

[Prepared statement of Rev. William Sullivan follows:]

Prepared Statement of William J. Sullivan, S.J., President, Seattle University

Mr. Chairman and Mr. Chandler, my name is William Sullivan. I am the President of Seattle University and have served in that capacity for the past nine years. I have served as a member of the Board of the ACE, am currently the Vice-Chair of the NAICU Board; I was one of the incorporators of the Washington Student Loan Guarantee Association and have served as the Vice-Chair of the Board; and I am presently serving as a member of the Higher Education Facilities Authority of the State of Washington.

I appreciate very much the opportunity to welcome you, Mr. Ford, to Seattle. It gives me the chance to express my appreciation and our appreciation for the leadership which you have long shown, as a member of the House and as the Chair of the National Commission, in the complex area of the relation between higher education and the Federal Government.

My brief comments this morning will be general in nature. You have had the benefit of extensive technical expertise on these complex topics. I would like to step back one or two paces to look at our current situation and at some of the proposals which are before you from the point of view of the President of a medium-size independent metropolitan university.

My own university furnishes clear examples of both the benefits of the Federal financial aid programs and of the problems with which you are struggling in the reauthorization hearings. Seattle University is a 94-year-old institution, one of the 28 Jesuit colleges and universities. It enrolls approximately 4,500 students, three-quarters of whom are from the Puget Sound region. It is truly a metropolitan university, at the other end of the spectrum from the imaginary country-club private universities so familiar from the reveries of Mr. Bennett. The overwhelming majority of our students work to earn part of the cost of their education. 49 percent of them are over 25 years old. 11 percent are American ethnic minorities—a percentage which is equaled by only one of the state government's 4-year universities here in Washington. Less than half of our students are Catholic; the non-Catholic majority shows an extraordinary diversity of religious backgrounds. In terms of family financial background, a study done several years ago by the state Council on Post Secondary Education shows that the average family income of our Seattle University students was lower than that of the University of Washington. All of this contributes to the meaning of the term "metropolitan" as applied to Seattle University. It also exemplifies clearly our contention that Seattle University is in the most proper sense of the word a "public" university—that is, one that is open to all and serving in a broad range of ways the public good. I have long argued—and Seattle University exemplifies that argument—that the term "public" should not and cannot be reserved for "governmental" institutions but is properly applied to a broad range of institutions—both governmental and independent—in the public service.

Mr. Chairman and Mr. Chandler, in addressing in somewhat broad, philosphical terms the issues before you and the Congress with regard to reauthorization, I would like to begin from what I consider to be a root issue.

One of the cardinal principles in the Federal role in higher education, going back at least to the Higher Education Act of 1965, has been that of equalizing opportunity of access to post-secondary education for all our citizens, despite their ethnic and/or economic background. This goal of promoting freedom of choice in the matter of a college or univesity has been built into many—not all—but many of the forms of Federal financial aid assistance over the years. It is a magnificent expression of the root traditions of American society: the Jeffersonian idea of the societal value of education and the Linconian principle of equal opportunity for all. From our history and experience has come this notion of an "aristocracy of achievement arising out of a democracy of opportunity." It is one of the glories of the Federal programs of the last twenty years that they have tried substantially to make that principle operational.

In the last few years there has been a very strong, very clear movement away from the practical realization of this principle of freedom of choice. For a series of complex reasons, students from lower income groups, from the minorities and even from lower middle income sectors are being deprived of any real choice about where they will attend college and are being forced out of the independent sector into the state institution, both two- and four-year. The statistical evidence for this trend is incontrovertable; and the trend is accelerating.

In addition to this, we have the extraordinary spectacle in the last year of a Secretary of Education—and now the President of the United States—espousing the idea that the Federal government has no interest in making any real options available to lower income students, that it has no role in giving the most talented but economically underprivileged the chance to develop themselves at a first-class independent institution, and that "the poor folks ought to go to the community colleges anyway." Unbelievable but factual!!

Mr. Ford and Mr. Chandler, I believe that one of the most important things that the Congress can do in its reauthorization work is to reassert clearly and powerfully the traditional Congressional commitment to freedom of choice for all—and to do this so loudly and clearly that even the Secretary of Education will get the message.

Why has the notion of some equality of access been under such pressure in the last few years. Why have we experienced the clear trend of minority and lower income students away from the independent sector despite the extraordinary efforts of the independent schools to make scholarship funds available to these students. (Our small cohort of 10 independent colleges and universities here in the State of Washington are currently furnishing over $16 million in institutional aid to their students. This represents from the schools themselves an amount which is four times the total of the state's assistance to our students through its need grant and work study programs and 41% of the total Federally funded support, including GSL, that is available to our independent college and university students this year. At Seattle University our institutional aid last year was $1.485 million out of a tuition and fee income of $19,850 million; and that included a special $70,000 added last year to help enroll more black undergraduates.)

Why is this happening? The answer lies in the massively growing gap between the heavily subsidized tuition price in the state universities and the cost-realistic tuitions in the independent schools. To the degree that the Federal financial aid programs do not in any way reflect these radical differences in pricing mechanisms, that is, do not in any way reflect the heavy taxpayer subsidized financial aid that is built into the state university tuitions—to exactly that degree the Federal programs will compound the problem and will further reduce for the part of the poor or minority student the possibility of a freedom of choice in selecting a college.

Can anything be done in the reauthorization process? One very partial but very important effort is that included in the NAICU proposal for the modification of the Pell grant system. As you know, we the Presidents of the independent sector universities have proposed that the Pell grant system be brought back closer to its original purposes and goals by limiting the grant to one-half of the "hard costs" of education, that is tuition, mandatory fees, and books. This would eliminate the present use of the Pell grant for living expenses and in that way limit the enormous amounts of grant money used to cover the practically uncontrolled "living expenses" category which is presently used to increase the Pell grant eligibility for students in very low priced, that is very highly cost subsidized, state institutions. This kind of a modification would bring an element of price-sensitivity into the Pell system and would thus be a powerful reinforcement of the principle of the "democracy of opportunity."

You know, Mr. Chairman and Mr. Chandler, that the second part of the NAICU Pell proposal addresses the problem of the very low income students, the ones for whom the "cost of living" issue is acute. What NAICU has proposed to you is a second series of grants for the very, very needy which would substantially aid in covering their living expenses. The combination of these two proposals would focus the Pell grant on the hard costs of education and thus make it at least partially price sensitive, and would recognize and respond to the needs of the very low income student.

In expressing to you my support for the NAICU Pell proposal, I wish to modify that proposal in one respect. I would suggest to Mr. Chandler and through him to his colleagues on the House Subcommittee that the second tier of grants that I referred to—the new cost of living grants for the deeply needy—should not be in the future called Pell grants but should be known as Ford Grants. I am proposing, Mr. Chandler, that they should be named for the Chairman of this committee, for a man who has during all his 21 years in the Congress been dedicated to the support of higher education, to the principle of freedom of access, and to the assistance of the truly very needy in our society. This modified NAICU proposal, featuring a modified Pell Grant and a new Ford Grant, could be a powerful instrument in righting the imbalances that have come into the Federal financial aid systems in recent years and in promoting the fundamental societal aims of those programs.

In summary, this proposal together with a modified GSL program, that is, one in which the amount of loan eligibility is limited to "unmet need" would contribute to the achievement of three very desirable goals: (1) the better coordination of the various elements of the Federal financial aid system; (2) the more effective targeting of the Pell funds on lower-income students; and (3) the promotion of the goal of some freedom of choice of the college or university by the lower income students.

Thank you.

Mr. **Chandler**. Father Sullivan, your honor to our chairman is well founded and Ford grants is a well-chosen name.

Mr. **Ford**. Thank you very much. Dr. Phibbs.

STATEMENT OF PHILLIP PHIBBS, PRESIDENT, UNIVERSITY OF PUGET SOUND

Dr. **Phibbs**. Mr. Chairman, I have an airplane that I am to catch at 10, so I will try to be very brief and would like to be excused after I have completed my testimony.

I thank you for bringing the subcommittee out to the State of Washington and giving us the opportunity to provide testimony in this area. I also thank Congressman Chandler for his help in that decision and Senator Evans for taking the time to be with us this morning and hearing concerns that we have.

My written testimony has been submitted to the committee. I want to stress the thrust of that written testimony only. The thrust of the testimony is that when reauthorization occurs in 1985, it is terribly important for us to make the changes that come in legislation in the context of the need for the 1980's and the 1990's and my argument is that the need for the 1980's and the 1990's are radically different from those that prevailed in 1965 when the legislation was originally written. I hope therefore that the committee will not merely tinker with legislation but make changes which respond to those very significant new conditions of our society, for the 1980's and the 1990's.

In particular, I refer to three new conditions of the eighties and nineties, the significant increase that will take place and the number of minority students graduating from high schools in this era. Most minority students come from home backgrounds with limited means and this means a significant increase in the need for financial aid in the 1980's and 1990's.

No. 2, of course, we face the budgetary problems of our State and our Nation in the 1980's and 1990's and it becomes particularly important that aid be very definitely need-sensitive.

Third, there is the point that Father Sullivan has already referred to and that is the enormous gap that has grown between the tuition at independent institutions and the tuition at public institutions. In the State of Washington, that gap stands at $3,616. The Council for Postsecondary Education has done a study which suggests that by 1990 the gap will be $7,153, an enormous difference.

In this context I think it is very important for the committee and for the Congress to understand clearly the role that the independent sector plays on higher education and there are two roles that I think merit special attention. First of all, the independent sector saves the taxpayer substantial amounts of money. In the State of Washington, the independent sector enrolls 26,000 students. In the State of Washington, the annual operating budgets of our independent institutions total $197 million each year. If the students no longer have the opportunity in sizable numbers to select education at an independent institution, and some or all of these institutions disappear, the burden of the cost of educating those 26,000 students will fall on the taxpayer in the State of Washington. It will mean acquiring a new public institution educating about 25,000 students and would mean providing the money to build that institution and paying the taxes for the annual operating budget of $179 million each year. That is a very substantial burden that will fall upon the taxpayer.

As Father Sullivan has indicated, it would be a great mistake to try to resolve Federal budgetary problems at the expense of State budgetary problems because the person who pays for both budgetary problems is the taxpayer. In solving the Federal budgetary problem at the expense of the Federal taxpayer we are simply adding to the burden of the State taxpayer. Since the State and the Federal taxpayer are the same person, no one gains. The taxpayer loses.

Second, it is very important to recall the role of the independent sector in the education of a diverse section of our student population. The Council for Postsecondary Education a few years ago made a study of average family income in the State of Washington and they discovered that the average family income for students attending independent institutions was $1,000 less then the average family income of students attending the two major universities in the State.

Third, nationwide, the independent sector educates 16 percent of minority students, while 18 percent of the nation's public institutions population are minority students. In this State, the University of Washington has a larger percentage of minority students then any other institution but the next three institutions in terms of their minority student population are all independent institutions. We play a significant role in saving the taxpayer money and in educating a diverse student population. We think it is important for that role to be continued and we think that the impact of financial aid legislation can make a great difference in the continuation of the role of the independent sector.

In particular, I commend you as Father Sullivan has. I also support the NAICU proposals with regard to the Pell Grant Program, I would urge second that the committee insure that the Guaranteed Student Loan Program is based strictly upon need. Fourth, I would encourage the committee to look carefully at the definition of independent student and tighten that definition so that in all three of those programs we are certain that we are getting maximum value from each dollar spent in providing access to education and providing the option of education at an institution.

Thank you very much.

[Prepared statement of Dr. Phillip Phibbs follows:]

PREPARED STATEMENT OF PHILLIP M. PHIBBS, PRESIDENT, UNIVERSITY OF PUGET SOUND, TACOMA, WA

Mr. Chairman and members of the Subcommittee on Postsecondary Education, my name is Philip M. Phibbs. I am President of the University of Puget Sound in Tacoma, Washington. The University is an independent institution with an enrollment of 2,700 undergraduates and a graduate program in law.

The conditions of this country and of postsecondary education are radically different today from those which prevailed when the Higher Education Act was passed in 1965.

The three most significant changes, in my opinion, are:

(1) In the next decade and beyond an increasingly larger percentage of the students who graduate from high school will be minority students. Historically, a significant portion of these students have come from low income families and there is no indication at this point that that pattern will change dramatically in the near future.

The need for financial aid will, therefore, be even greater in the years ahead than it has been in the past.

(2) The federal government faces major budgetary problems at least for the next few years. I do not believe that I need to elaborate on this problem! It means, however, that reauthorization must be designed to insure that maximum return is obtained from every tax dollar expended on financial aid.

(3) During the past ten years or more, inflation has forced independent institutions annually to raise their tuition and in substantial amounts. During this same period, ever-growing state subsidies for the operating costs of the public colleges and universities enabled those institutions to keep their tuition comparatively low.

As a result, while the cost of providing education at public and independent institutions is roughly the same (and here I refer you, for example, to the study which Peat, Marwick, Mitchell and Co. conducted in the state of Florida), there is now an enormous difference in the tuition charged in the two sectors.

And that difference will apparently continue to grow in the future.

The Council for Postsecondary Education, our statewide coordinating body for higher education, recently completed a study on future tuition levels in the state. The Council estimates that the tuition gap between public and independent institutions, which in 1982 averaged $3,616, will rise to $7,153 by 1990.

In other words, the choice of attending (or access to) an independent institution in the state of Washington cost the student an additional $3,616 in 1982. By 1990, that same access will require $7,153 more from a student than if he/she were to attend one of the public universities.

The state of Washington is not unique in this respect; it is typical.

The rising tuition gap is the single most important fact of higher education in the 1980s. If we do not address it and its implications in the reauthorization legislation, we shall be ignoring a fundamental and ominous reality with serious consequences for higher education in the years ahead.

In the context of these conditions of the 1980s, there are two aspects of the independent sector of higher education which warrant special attention.

First of all, the independent sector annually saves the American taxpayer an enormous amount of money. Conversely, the weakening or the disappearance of the independent sector would cast a very heavy new burden on the taxpayer.

In the state of Washington alone, the independent sector enrolls 26,000 students. The budgets for these institutions total about $197,000,000 annually.

If students in the future cannot afford to attend these institutions, the state of Washington will have to construct another major university at enormous cost to the taxpayer and, in addition, raise taxes still further to cover annually the cost for the operation of that institution.

By contrast, a financial aid program which costs the taxpayer a small fraction of that amount but maintains access to independent institutions is an enormous bargain.

The Committee should, therefore, examine carefully all proposals to determine their impact on student choice and on the viability of a dual system of public and independent institutions. Proposals which would compel needy students to attend public institutions and thereby save the federal taxpayer money, will simply increase by a far larger amount the state taxpayer's bill. And since she/he is the same person, the taxpayer is the loser.

It makes absolutely no sense to solve the federal budgetary problem by creating far greater budgetary problems at the state level.

The second aspect of the independent sector that merits special attention as reauthorization legislation is developed is the sector's role in the education of minority students—the rising portion of our high school graduating population.

There is widespread belief that only students from wealthy and white families attend independent institutions. In reality, the situation is remarkeably different. Three examples vividly illustrate this:

(1) A study in the state of Washington revealed a few years ago that the average family income for students who attended the two major public institutions in the state was $1,000 more than the average family income for students attending independent institutions in the state.

(2) Similarly, a significantly higher percentage of students attending independent institutions in the state of Washington are employed, during the term and during the summer, than are the students attending the two major public institutions.

(3) Sixteen percent of the total enrollment in the independent sector of higher education in the United States in composed of minority students. (I should note parenthetically that the comparable figure for the public sector is only slightly higher, eighteen percent.)

This point was also illustrated specifically in the state of Washington last winter when the Chronicle of Higher Education reported the percentage of minority students enrolled by institutions. The four institutions in this state with the largest percentage of minority students were, in order, the University of Washington, Seattle University, St. Martin's College, and the University of Puget Sound—three out of four were independent institutions!

In this connection it is also important for us to remember that a higher percentage of minority students persist and graduate from independent institutions. It would appear that the smaller classes and the emphasis upon teaching which characterize independent institutions does, indeed, make a difference for this segment of the student population which is growing significantly in number.

If we close to these students an option in which they seem particularly to succeed, we are surely making a grevious mistake.

My point is simple. American higher education has traditionally been characterized by great diveristy. Different institutions have offered different possibilities and responded to the needs of different students. We need that diversity more in 1985 even than we needed it in 1965 if we are to be sensitive to the nature of the student body in the 1980s and to the budgetary problems of our state and national governments.

I make three specific recommendations to the Subcommittee which are designed to address the conditions of the 1980s.

(1) I commend to you in particular the proposal which the National Association of Independent Colleges and Universities has submitted for the Pell Grant Program. The proposal is a complex one, but it merits very serious and careful study for it is designed to concertrate Pell Grants for most students on direct educational costs rather than living expenses which are a responsibility we all have whether we are in school or not. The most needy students, however, would also be able to receive support for living expenses.

(2) The Guaranteed Student Loan Program should be limited to need remaining after all federal grant, work and loan benefits, together with all expected parental and student contributions have been taken into account.

When funds are limited there is no justification for a program not based strictly upon need. Families who can afford the cost of education should not be subsidized. Any other policy undermines public support for the whole concept of aid to education.

(3) The definition of an independent student should be revised and significantly tightened so that families who can in fact provide financial support for their child's higher education do so. The current definition, in my opinion, is too loose. Some families who should assume the cost of their child's education are shirking that responsibility. As a result, less aid is then available for those who need that assistance.

In my opinion, the most appropriate change would be to require that all undergraduate students who are under 23 be considered dependent upon their parents for financial aid purposes. Carefully defined exceptions could be made, of course, for cases such as orphans, wards of the state, and honorably discharged veterans. For students 23 or older and for graduate students, the current definition for shelf-supporting status would appear to be reasonable.

These three steps would address the conditions of the 1980s channeling aid more carefully to those who have need. The recommendations will also preserve choice of the educational institution which will provide each student with the best educational experience for him or her. Finally, they will not force more students into the public sector at far greater cost to the taxpayer.

Mr. FORD. Thank you very much and I am sorry that you have to leave. Did you have questions for Dr. Phibbs? We have 2 minutes? I would like to make a few observations before recognizing Rod, I would rather not get involved in the new Ford grant. As a matter of fact there was a motion in the House-Senate conference to attach Pell's name to the grants and I do not know whether he is grateful for that or not.

Applicable to what you said, Father Sullivan, Dr. Wolanin handed me a copy of the remarks made by President Johnson on November 8, 1965 at Southwest Texas State College when he was about to sign the Higher Education Act of 1965. He characterized this legislation as the key that would unlock the door to education for America's young people and I just want to quote one paragraph from that comment. He said, "It means that a high school senior anywhere in this great land of ours can apply to any college or any university in any of the 50 States and not be turned away because his family is poor". I note parenthetically that in those days Presidents were still using the term "his" when referring to students, that would now be "his/her" if the speech were written today. I took those words seriously. I will have the honor of delivering on the 20th anniversary of that event in Texas the Lyndon Johnson lecture, I guess it is called, on the history of the act since it was sent to us by the President in 1965. It is because of that that we have been looking back at what he said but I have no trouble remembering that we were very much impressed with that idea I was quite surprised when the Secretary reconstructed that for us in front of our committee and told me we never thought that at all. I do not know that the Secretary still believes that to be the history of the act and I am hopeful he does not because we look forward to working with him. I am optimistic that we are going to be able to do that.

I want to thank all of you for your appearance and now, Rod, do you have questions?

Mr. **Chandler**. Well, Mr. Chairman, with your indulgence, I would like to follow up in writing, particularly to Dr. Morris--but to all three, because we have the diversity here of a college in a rural eastern Washington community, an independent institution in Seattle and then, of course, the major university. Dr. Morris discussed the limits on the work study program, both practical and academic, and I am interested in what those are and why.

My good friend Dennis back here and I have talked many times about how we could utilize the private sector in work study ventures. You and I, Dr. Morris, talked about too, that so with your permission I would like to follow up in writing to get a more extensive comment for the record from all three of you. I am interested in the problems that face these different institutions, very different in their geography and so forth on that subject.

Mr. **Ford**. Thank you very much, gentlemen, we are tight for time. The second panel is Dr. Paul Thompson, president of Bellevue Community College, Dr. Richard Rutkowski, president of Green River Community College and Dr. Shirley Gilroy, Highline Community College. I meant to mention earlier that the current president of this institution first worked with us when he was a congressional fellow for a then ranking member on the Education Committee.

Mr. **Chandler**. I might just comment that these three flagship institutions of our community college system just happen to be the 8th Congressional District in the State of Washington.

Mr. **Ford**. Dr. Thompson.

STATEMENT OF DR. PAUL THOMPSON, PRESIDENT, BELLEVUE COMMUNITY COLLEGE

Dr. **Thompson**. Thank you, Chairman Ford, Congressman Chandler, Senator Evans. It is a pleasure for me to testify before you today on legislation that has the potential to enable the residents of our district, our State, and our Nation to build a more secure future for all of us. We are all aware of the significant demographic shifts that are occurring or will occur in our society during this decade. It is imperative that quality higher education opportunities remain open to those whom we must count on to be the most productive generation our Nation has ever educated.

I believe the Higher Education Reauthorization Act you are considering is crucial to assuring that higher education remains accessible to the American public. I am here to support the AACJC/ACCT recommendations on the Reauthorization Bill, particularly those regarding elimination of home equity, unemployment benefits, and food stamps from the means test for displaced workers seeking Pell grants and the addition of child care to the costs of attendance that can be covered under Pell grants.

I would request that you consider changes to current and proposed legislation in order to assure that the growing number of independent, single students with dependents are more adequately served by our financial aid system. It is clear to me that the productive contribution to our economic recovery has grown by the inclusion of more independent students with children in higher education.

In a study done to determine the unmet student financial need in the State of Washington it was found that 16 percent of those in the Ford group were in this category. It was found that the unmet need of these students was nearly double the average of the other groups represented. This study also found that most of those in this category were female, over 24 years of age and enrolled in community colleges.

I would like to present two specific cases for whom our college was unable to find financial aid resources to adequately meet the clearly established and deserved need. The first example is that of a female, 32 years old, divorced with an 8-year-old child for whom she received no child support and who had been on welfare prior to enrolling in our college, she has multiple sclerosis; nevertheless, her academic talent is such that she qualified as a Phi Theta Kappa merit award winner. Her financial need was calculated at $8,390, she received a little over $6,100 including guaranteed student loan money.

Having given up welfare to go to college she is struggling to make it with over $2,000 in unmet basic needs. This student earned a grade point of 3.79 this past year.

The second student is an example of a 33 year old male who has a 4½-year-old child living with him. His adjusted gross income for the 1983 year was $13,484, an amount which excludes him from qualification for a Pell grant. He lost his job and during the 1984-85 school year worked on-call approximately 8 hours a week. During this time he had to provide daycare for his child. Because he was enrolled in our Radiologic Technology Program and he had to commit himself to the clinical time required for the program, he could not use work study funds. His actual financial need was calculated at $8,543 of which less than half was met by a combination of local and State financial aid and a small guaranteed student loan.

These are just two of many. many similar cases of students who seem to be exceptionally qualified for support as they try to transition themselves to lead more productive lives by contributing to their own and the rest of societies welfare. I would suggest that restrictions on adjusted gross income from a prior year be relaxed to allow those who are out of work to qualify in that year. In my judgment, local financial aid officers should be able to make selective decisions in this regard especially if the financial aid awarded is either from work study or long based program funds.

Thank you for your attention to this matter and to your serious consideration of these matters that have such direct impact on the lives of our citizens and the future of our country.

[Prepared statement of Dr. Paul Thompson follows:]

PREPARED STATEMENT OF PAUL N. THOMPSON, PRESIDENT, BELLEVUE COMMUNITY COLLEGE

Chairman Ford and other distinguished members of the committee. I am Paul Thompson, President of Bellevue Community College, located at Bellevue, Washington in East King County, in the 8th Congressional District of the state, represented by Congressman Rod Chandler, a member of this committee. Thank you for inviting me to testify for you today on legislation that has the potential to enable the residents of our district, our state, and our nation to build a more secure future for all of us. You are all aware of the significant demographic shifts that are occurring or will occur in our society during this decade. It is imperative that quality higher education opportunities remain open to those whom we must count on to be the most productive generation our nation has ever educated.

I believe the "Higher Education Reauthorization Act" you are considering is crucial to assuring that higher education remains accessible to the American public. I am here to speak in support of the AACJC/ACCT recommendation on the Reauthorization Bill. Particularly, those regarding elimination of home equity, unemployment benefits and food stamps from the means test for displaced workers seeking PELL grants; and the addition of child care to the costs of attendance that can be covered under PELL grants. I will speak particularly to a major concern I have about equity in the financial aid milieu that we have developed. I would request that you consider changes to current and proposed legislation in order to assure that the growing number of independent, single students with dependents are more adequately served by our financial aid system.

It is clear to me that the cohort of productive contributors to our economic recovery has grown by the inclusion of more independent students with children. In a study done to determine the unmet student financial need in the state of Washington (1982-83, 1983-84) it was found that 16% of those in the core group were in this category. It was found that the unmet need of these students was nearly double the average of the other groups represented. This study also found that most of those in this category were female, over 24 years of age and enrolled in community colleges.

Rather than continue this testimony by presenting numbers and analyses that group sample populations for purposes of generalization, I would like to present two specific cases for whom our college was unable to find financial aid resources to adequately meet the clearly established and deserved need.

The first example is that of a 33-year old male who has a four and a half-year old child living with him. His adjusted gross income for 1983 was $13,484, an amount which excludes him from qualification for a PELL grant. He lost his job and during the 1984-85 school year, worked on call approximately eight hours a week. During this time, he had to provide day care for his child. Because he was enrolled in our Radiologic Technology program and he had to commit himself to the clinical time required for the program, he could not use Work Study funds. His actual financial need was calculated at $8,543, of which less than half was met by a combination of local and state financial aid and a small guaranteed student loan.

The second student is a female, 32 years old, divorced with an eight-year old child (for whom she received no child support) and who had been on welfare prior to enrolling in our college. She has multiple sclerosis. Nevertheless her academic talent is such that she qualified as a Phi Theta Kappa merit award winner. Her financial need was calculated at $8,390. She recevied $6,132 including guaranteed student loan money. Having given up welfare to go to college, she is struggling to make it with $2,257 in unmet basic needs. This student earned a gradepoint of 3.79 this past year.

These are just two of many, many similar cases of students who seem to be exceptionally qualified for support as they try to transition themselves to lead more productive lives by contributing to their own and the rest of society's welfare. I would suggest that restrictions on adjusted gross income from a prior year be relaxed to allow those who are out of work to qualify in that year. In my judgment, local financial aid officers should be able to make selective decisions in this regard, especially if the financial aid awarded is either from Work Study or loan-based program funds.

Thank you for your attention and your serious consideration of these matters that have such direct impact on the lives of our citizens and the future of our country.

Mr. FORD. Thank you very much. Dr. Gordon.

STATEMENT OF DR. SHIRLEY GORDON, HIGHLINE COMMUNITY COLLEGE

Dr. Gordon. My colleagues and I decided to talk about more than one title in the Higher Education Act so Chairman Ford, Congressman Chandler, and Senator Evans, let me address something other than title IV for just a few minutes because I see some of the other titles in the Higher Education Act particularly pertinent to the community colleges.

In title I for example, this title addresses one of our Nations greatest needs and that is providing opportunities for education to be a lifelong process. Training is not enough. Education is the need. Technical education, whatever its specific nature may be, must be, proceeded by facility, the basic communication skills and an understanding of mathematical concepts and problem solving approaches.

I believe that the community and technical colleges are specifically mentioned in this title and it is particularly important because the community and junior colleges in the Nation continue to serve thousands of adults who need basic education and training. So keep these adults in mind as you deliberate on the Higher Education Act.

There are many adults who for many reasons are not able to function in an information technology oriented society. To leave any of them without opportunity is to place an increasing burden on the Nation to support them. So I hope that in your deliberations, title I will be considered. The Nations approximately 1,250 community and technical colleges are located in every State and in many States including the State of Washington. The community colleges are within commuting distance of a very high proportion of all of the citizens. I believe the latest count here suggested that a community college is able to serve 9 out of 10 of our people in this State. The campuses are open and convenient and many of them, because they are community oriented, are already involved in cooperative efforts with area employers and they have off campus sites in business and industrial settings.

Education is fast becoming a process that spans a lifetime. It is never completed. So, as you look at helping students, don't forget our adults who for whatever reason need further education. Title II for a long time has been called the library title. As you move away from the implementing of this title to something for all applicants and move toward looking at it as a title based upon need, I hope that you will also look at what the libraries propose to do with the funds. Anything that can be done to encourage joint useage of the learning centers will certainly pay greater dividends for money invested.

I am particularly interested in title V because the quality of education at all levels and particularly at the K-12 level I believe has a very direct relationship on the quality of the teaching staff. If indeed we have not been attracting the most abled into the profession and the benefits to be received from present day efforts to attract future teachers from among the most able college students will only be realized after several years in the future, then measures which will pay dividends now should be sought.

Congressman Chandlers proposal that science and mathematics teachers be drawn from able professionals in the disciplines, who with specialized training about learning, teaching and the classroom activities could ease the shortage of teachers in mathematics and science in a relatively short period of time.

Under title V however, I suggest consideration be given to use current resources in your community colleges to work with secondary teachers in these disciplines now. The expense incurred when teachers must leave their community to obtain further education, the expense of taking time away from ones career, the competitive vying for fellowships or summer institute openings, all could be reduced. The number benefiting could be increased and the return on each dollar invested could be very great.

I believe the community colleges could very readily plan, staff and offer weekend courses and short courses in science and mathematics for teachers in their area. I believe teachers could help plan and work with the colleges so the offerings would meet the needs directly. Elementary teachers could also be involved and a stronger program could be developed for teachers in all levels.

Community college faculty in these disciplines traditionally have at least masters degrees in the discipline, many have doctorates. The teachers are part of the teaching institution, the community colleges have laboratories, libraries, and environment especially for commuting part time employed students. I think the very successful NSF AAAS Chautauqua short course model is one that could be followed at minimum cost.

And one last comment has to do with title VIII and this is the cooperative education title and my observations of this program at Highline Community College has convinced me that this is an indirect way to accomplish two essential tasks. First, it provides teachers opportunities to have direct discipline oriented contacts with current business and industry operations and needs. Second, it affords students who are involved an opportunity to be actively involved in their own education while at the same time helping defray some of the cost of that education. Cooperative education is cost effective and has I believe increased the business and industrial communities awareness of the role they can and must play in strengthening education today and in the future. Reauthorization of this title as part of the act would be supporting an educational approach which can be very cost effective for all participants. The number of stories of employer dissatisfaction with todays graduates could well be reduced through cooperative programs supported through this title.

Regarding title IV, student financial aids, my colleagues and the other community colleges represented here are speaking to that imperative need and it is one that we just must address for our students.

[Prepared statement of Dr. Shirley Gordon follows:]

PREPARED STATEMENT OF DR. SHIRLEY B. GORDON, PRESIDENT, HIGHLINE COMMUNITY COLLEGE

TITLE I

This title addresses one of our Nation's greatest needs—that of providing opportunities for education to be a lifelong process. Training is not enough; education is the need. Technical education, whatever its specific nature may be, must be preceded by facility in the basic communications skills and an understanding of mathematical concepts and problem solving methods.

That the community and technical colleges are specifically mentioned in this title is particularly important because these institutions are now and will continue to serve thousands of adults who need basic education and training. These adults are for many reasons not now able to function in an information, technology dominated, society. To leave them without opportunity is to place an increasing burden on the Nation to support them.

The Nation's approximately 1,250 community and technical colleges are located in every state, and in many states, including our state of Washington, are within commuting distance of a very high proportion of the state's total population. The colleges are experienced in serving adults; they are comfortable places for learning; they are places where the faculty and staff are dedicated to student success whatever the students' previous level of accomplishment. The campuses are open and convenient and many of them, because they are community oriented, are already involved in cooperative efforts with area employers and have off-compus sites in business and industrial settings. Education is fast becoming a process that spans a lifetime; it is never completed.

TITLE II

To the extent the Act could encourage and increase joint-use learning resource centers, the better all levels of education will be served. Community college libraries, in particular, are especially well situated to serve adult learners, secondary schools faculties and students, and community development activities and businesses.

In allocating any funds for implementation of this title, I urge the Committee as it moves away from disbursement of aid to all applicants toward a need basis for awards to address more than need. The institution's plans for using the funds should constitute one of the most important criteria, perhaps ahead of or equal to the criterion of need.

TITLE V

The quality of eduation at all levels, and particularly at the K-12 level, bears a very direct relationship to the quality of the teaching staff. If indeed we have not been attracting the most able into the profession and if benefits to be received from present day efforts to attract future teachers from among the most able college students will only be realized several years in the future, then measures which will pay dividents now should be sought.

Congressman Chandler's proposal that science and mathematics teachers be drawn from able professionals in the disciplines who, with specialized instruction about learning, teaching, and classroom activities, could ease the shortage of teachers in mathematics and science in a relatively short period of time.

A further approach worthy of consideration would be, I believe, to use current resources in community colleges to work with secondary teachers in these disciplines now. The expense incurred when teachers must leave their community to obtain further education; the expense of taking time away from one's career; the competitive vying for fellowships or summer institute openings—all could be reduced. The number benefiting could be increased and the return on each dollar invested could be very great.

I believe community colleges could very readily plan, staff, and offer weekend courses and short courses in science and mathematics for teachers in their area. I believe the teachers at the K-12 levels should work with the colleges in the planning to insure that the offerings would meet the needs directly. Elementary teachers should also be involved and as a result, a stronger program could be developed for all students in the community and the teachers at all levels would be better prepared.

Community college faculty in these disciplines traditionally have at least masters degrees in the discipline, many have doctorates. They are part of a "teaching" institution. These institutions, the community colleges, have laboratories, have libraries, and have environments especially for commuting, part-time, employed students. The very successful NSF—AAAS Chautauqua Short Courses model is one I believe would be worth considering. The model could be employed to provide excellent faculty inservice education at minimum cost. This model and the use of community college resources is not restricted to science and mathematics; preparation in other disciplines could be strengthened also.

This title could well be the impetus for cooperative efforts among the various levels of education, K-graduate school, a need of long duration but seldom addressed. All of the titles in the Act are important, but without the very best teachers we can afford, the other titles will not pay their full share of return on the investment.

TITLE VIII

My observations of this program, Cooperative Education, at Highline Community College, has convinced me that it is an indirect way to accomplish two essential tasks. First, it provides teachers opportunities to have direct, discipline oriented contacts with current business and industry operations and needs. Second, it affords students the opportunity to be actively involved in their own education while at the same time defraying some of the expense of that education. Cooperative education is cost effective and has, I believe, increased the business and industrial communities' awareness of the role they can play and the responsibility they have in strengthening education today and in the future. Reauthorization of this title as a part of the Act would be supporting an educational approach which can be very cost effective for all participants. The number of stories of employer dissatisfaction with today's graduates could well be reduced through cooperative programs supported through this title.

It has been my privilege to prepare these comments for this Committee.

STATEMENT OF RICHARD RUTKOWSKI, PRESIDENT, GREEN RIVER COMMUNITY COLLEGE

Mr. RUTKOWSKI. Chairman Ford, Representative Chandler, Senator Evans, and Dr. Wolanin, I am pleased to be able to appear before your committee. At Green River Community College during the years 1979-80 through 1984-85, the total dollars of financial aid support for the campus based programs including NDSL, SEOG, and the College Work Study Program has varied from approximately 455,000 in 1979-80 to 468,000 in 1984-85. This variance is not large and in fact, one may say that funding has remained relatively flat during this period of time.

Student need on the other hand has been increasing. The number of students applying for and receiving aid at Green River has grown from 363 in 1979-80 to 401 in 1984-85. This growth is an indicator of the general pressure and need for financial aid. The result of a relatively flat funding and an increasing population being served is an erosion of the dollars of financial aid provided as measured on a dollar-per-student basis. This is shown in the accompanying graph that shows a decrease from $1,254 per student in 1979-80 to $11,068 in 1984-85.

During this period of time, living expenses for students have increased. Tuition at Green River Community College has increased from $306 in 1979-80 to $581 in 1984-85 and will be $699 per year for a resident student in 1985-86. The cost of books has increased each year. Other living expenses have increased in proportion to the general inflation rate.

The mixture of students has changed. We are seeing more older students, many more single parent students, the number of dependent students receiving financial aid is approximately 25 percent and the number of independent students at 75 percent. These students have greater financial responsibilities and obligations, hence their need for financial aid is greater. In the case of single parent students, there are oftentimes a need for day care support to enable the parent to go to school.

All of the above clearly points to a need for increased funding of financial aid programs at least to take into account these increasing costs that are very real burdens on our students. In addition, there is a need for funding stability and eligibility requirement stability. Our students and parents need to be able to rely on regulations and funding levels that are not constantly changing. We have found that as program cuts are discussed in the media, students are turned away by the publicity of such impending reductions whether they happen or not. These are the very individuals who are the most needy and who our society will derive the greatest benefit from their retraining and preparation for jobs.

As the committee considers reauthorization, please take into account the institution which must administer the programs. There must be adequate flexibility maintained for the institution to best tailor a financial aid package for the individual. Some of the specific suggestions I will not enumerate, you have in the written record.

I thank you for the opportunity to be able to present this information to the Committee.

[Letter from Richard Rutkowski follows:]

GREEN RIVER COMMUNITY COLLEGE,
Auburn, WA, July 17, 1985.

WILLIAM D. FORD,
Chairman, Subcommittee on Postsecondary Education, Committee on Education and Labor, Washington, DC.

DEAR SIRS: Green River Community College is located in a forested setting on 168 acres in Auburn, Washington. While the college is located in the 8th Congressional District it serves students from Puyallup to Renton, cross cutting Congressional Districts, 6, 7, and 8. The 3,725 full-time equivalent students (or 5,000 to 6,000 headcount students) are distributed in traditional academic and vocational programs with an approximate 60 percent-40 percent academic-vocational mix.

During the years 1979-80 through 1984-85 the total dollars of financial aid support for the campus-based programs (NDSL, SEOG, CWSP) has varied from $455,314 in 1979-80 to $468,204 in 1984-85. This variance is not large and in fact, one may say that funding has remained relatively flat during this period of time.

Student need, on the other hand, has been increasing. The number of students applying for and receiving aid at GRCC has grown from 363 in 1979-80 to 401 in 1984-85. Such a growth is an indicator of the general pressure and need for financial aid.

The result of a relatively flat funding and an increasing population being served is an erosion of the dollars of financial aid provided as measured on a dollar-per-student basis. This is shown in the accompanying graph as a decrease from $1,254 per student in 1979-80 to $1,168 in 1984-85.

During this period of time, living expenses for students have increased. Tuition at Green River Community College has increased from $306 in 1979-80 to $581 in 1984-85, and will be $699 per year for a resident student in 1985-86. The cost of books has increased each year. Other living expenses have increased in proportion to the general inflation rate.

The mixture of students has changed. We are seeing many more older students, many more single-parent students. The number of dependent students receiving financial aid is approximately 25 percent whereas the number of independent students is now about 75 percent. These students have greater financial responsiblities and obligations, hence, their need for financial aid is greater. In the case of single-parent students, there often times is a need for day care support to enable the parent to go to school.

All of the above clearly points to the need for increased funding of financial aid programs, at least to take into account these increasing costs that are very real burdens on our students.

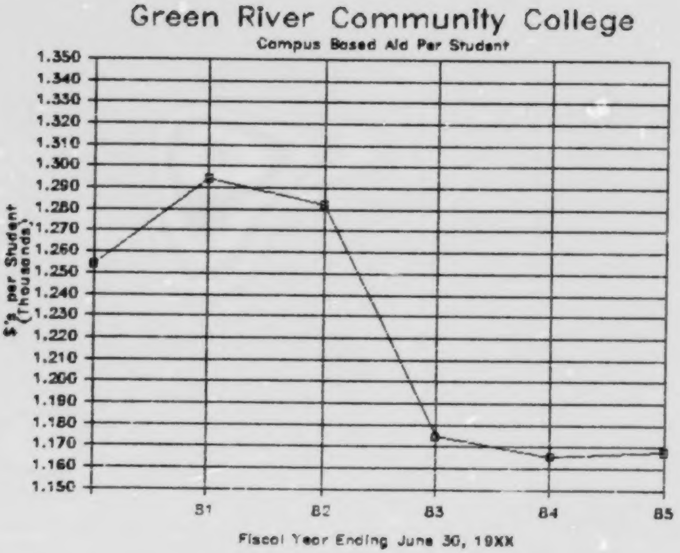
In addition, there is a need for funding stability and eligibility requirements stability. Our students and parents need to be able to rely on regulations and funding levels that are not constantly changing. We have found that as program cuts are discussed in the media, students are turned away by the publicity of such impending reductions, whether they happen or not. These are the very individuals who are the most needy and who our society will derive the greatest benefit from their retraining and preparation for jobs.

As the committee considers reauthorization please take into account the institution which must administer the programs. There must be adequate flexibility maintained for the institution to best tailor a financial aid package for the individual. Some specific suggestions for change are enumerated in the accompanying schedule.

I thank you for the opportunity to be able to present this information to the committee.

Sincerely,

RICHARD A. RUTKOWSKI,
President.



Fiscal Year Ending June 30, 19XX:	80	81	82	83	84	85
Campus Based (C/B) Program:						
NDSL	32,965	32,585	30,150	21,049	43,988	28,235
SEOG(I)	99,064	91,329	109,495	101,308	105,651	116,289
SEOG(C)	42,707	35,230	44,584	45,150	41,347	36,925
CWS(100%)	280,578	274,462	286,305	277,714	277,579	286,755
Total C/B $'s	455,314	433,606	470,534	445,221	468,565	468,204
# of C/B Students	363	335	367	379	402	401
$'s per C/B Student	1,254	1,294	1,282	1,175	1,166	1,168

(HIST FA 18-Jul-85)

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM (SEOG)—RECOMMENDED CHANGES

1. Eliminate the initial/continuing year grant distinction to reduce the institutional administrative burden. The current law allows use from either fund to pay students, therefore, the distinction is unnecessary.

2. Eliminate the $200 minimum SEOG payment to allow institutions the flexibility to make smaller grant payments.

Also, allow payment to the grants in uneven payment amounts since students often incur uneven costs for particular academic terms.

GUARANTEED STUDENT LOANS (GSL)—RECOMMENDED CHANGES.

1. Require all GSL applicants to undergo a needs test to determine eligibility under the program. This would insure that these loans only go to students who need funds for their education.

2. Require the academic year loan amount to be disbursed by the lender in multiple installments over the terms the student borrower is in attendance. Lenders using this method have shown significant savings on loans to students who withdraw from school after the first disbursement.

3. Provide a $10 per GSL recipient administrative allowance to the institution to serve as a reimbursement for part of the cost of administering the GSL program.

Mr. **Ford**. Thank you very much. I probably should have done this before the last panel but in your prepared testimony, Dr. Thompson you start the second paragraph by saying, "I believe the 'Higher Education Reauthorization Act' you are considering". Let me hasten to disagree with anybody who has the idea that the committee is considering any Higher Education Reauthorization Act already in writing. Unlike procedures we follow with other bills, we tried something in 1979 and we have repeated it again this year.

There is no specific legislation before the committee and there will be none except for specific component parts of a package such as Mr. Chandlers bill and individual specifically targeted bills on specific parts of the act introduced by other members.

Back in December the ranking Republican on this committee, Mr. Coleman a Missourian and I sent a letter to 140 organizations representing higher education interests including the student organizations and gave them until April 30 as a cutoff date to submit to us their specific recommendations of how they would like the law to read when it was reauthorized together with the rationale for any changes they wished to propose. I am pleased to say that 88 of the organizations, which is a very high percentage for higher education people, followed the rules and did within the time allotted give us specific recommendations in the manner in which we had asked for them. An additional group have made specific recommendations in writing that were incorporated in a print. What the committee is working from now is a four volume comparative print showing the existing law, the proposed change, the rationale for the change and the association that is proposing the change. It was printed and has been redistributed to all 140 organizations and other interested parties who now have before them when we get ready to write the legislation everybody's proposals so everything is on the table.

The reason we make everyone identify who is proposing it is that that gives you an idea of the natural and proper bias that various organizations representing higher education have toward their constituency. The Republicans and Democrats on the committee have been in agreement from the very beginning that we would not have a single bill. We have been helped in this effort by the fact that the administration does not yet have a bill and Mr. Coleman and I have no indication at this time that they are indeed preparing for one although they are giving us suggestions as we go along and they will participate like everyone else in the final product.

We hope by doing this that we would not have people testifying during all of these hearings for or against somebody's idea of a perfect bill. Are you for or against the administration bill, are you for or against its committee chairman's bill and frankly I guess I am the only member of the committee who has not introduced any bill in connection with reauthorization although prior to reauthorization I had been introducing some legislation on graduate education which I trust the committee will consider. I say that only to let you know that there is not some product out there that you have not seen that we are working on, that we really are trying to put together the raw material so that all the members of the committee can actually sit down and work out a package that makes sense.

I would say to you that your proposal also and your prepared testimony on the treatment of independent student income for a current year was offered by the late John Ashbrook of Ohio in 1979, adopted and made a part of the 1980 reauthorization and unfortunately when something called Gramm Latta passed in 1981, which restructured a whole lot of laws, that was dropped. We have never been able to put it back in place because it is now perceived to have a cost associated with it because it will qualify more people. It was then put into the legislation for the reasons you have expressed in terms of equity.

One further observation to Mr. Rutkowski, the first of your specific recommendations eliminating the initial/continuing year grant. You are talking about SEOG's at that point. The reason for that no longer exists, and it really has not existed for a long time. What really happened was that that part of the SEOG was a survivor of a bill that had also in it merit grants that would have been given to continuing students. I strongly suspect that the committee will have no objection to eliminating that. The interesting thing is that it is only at the college campus that you have to make this artificial distinction so you have a paper juggling, number juggling job to do that means nothing to anyone. If you did not do it, nobody in Washington would know any different because they do not have any function in this and thank you for highlighting that.

There was a mistake made a long time ago, it is long past time to correct it. Mr. Chandler.

Mr. CHANDLER. Again, Mr. Chairman, I would like to submit written questions. I think Dr. Gordon in raising the question of title VIII that I referred to earlier raises an important question. We have had a funding level of $14.4 million for this program for the last 4 years. It has never been adjusted so what I will be doing is writing to all of you plus those who appeared earlier asking about your views of the potential for an enhanced title VIII cooperative work program.

Mr. FORD. Senator, did you wish to ask anything of the panel?

Mr. EVANS. No.

Mr. FORD. I might observe to you that I had the honor of receiving an honorary degree at Northeastern and if you want to see how cooperative education can and should work, you should contact those people in Boston. For 75 years that institution in which in excess of 90 percent of the student body work while they were going to school, it has an engineering school, a law school, complete university program, it is an outstanding university as a matter of fact. They have been engaged in cooperative education for 75 years and they have something that we could all learn from in terms of how for that long period of time they have managed to maintain business and industrial commitment to their institution so that people going to school actually work in jobs that are related to their career goals. Obviously you cannot replicate that kind of experience but it surprises me that even though that program has been small, educators have been in many parts of the country reluctant to get into cooperative education programs.

The high schools strangely enough in my State are in it up to their necks but the colleges in my State do not want to be bothered with it. I hope that they will change. Maybe the economic conditions of my State may make them change. I am glad to see that you are already ahead of the tide on that and I would join Rod in trying to help focus more attention on it.

Thank you very much.

Dr. John Gilroy, dean of the school of education of Seattle University.

STATEMENT OF DR. JOHN GILROY, DEAN, SCHOOL OF EDUCATION, SEATTLE UNIVERSITY

Dr. GILROY. Congressman Ford, Congressman Chandler, I welcome the opportunity to address the committee on a specific amendment to the Higher Education Act of 1965 and that is House bill 2805 to create a program supporting midcareer teacher preparation programs for individuals with expertise in math and science. We know of the critical need for qualified teachers in these areas. I believe that there are individuals with expertise in these areas who are considering a career change and who with proper preparation could become fine secondary schoolteachers.

I think that in many areas in which high technology is visible there are these people and certainly the Seattle area is one such area with institutions such as Boeing and Fluke.

As material disseminated by the Harvard Graduate School of Education states and I quote, "The reasons individuals give for wanting to become classroom teachers at midcareer are multiple and varying but many come seeking a change in the quality of their lives and hope to contribute to the education of young people. Some midcareer scientists and mathematicians have reached a point in their careers where opportunities for advancement are limited. It is at this point in their lives that many stop, take a fresh look at their lives and wish they could do something socially useful."

It is true that individuals could enter already existing teacher preparation programs, I believe however that these people have unique needs which can best be met through a special program. The opportunity to exchange views with and have support from one another during the time of their preparation is critical.

In our doctoral program in education leadership, we have found this concept of a cohort group gaining knowledge and support from one another of great benefit and I think this is true of any group of older adults. They do not learn in the typical fashion. We are dealing with older people who have a different set of experiences than the 20- to 25-year-old and who really need the support of one another at this time.

I think a well-designed, well-implemented program could have a very positive effect on the quality of teaching of math and science and could contribute to alleviating the already apparent shortage in these areas. I would ask that you also consider either as an addition or as a companion amendment something which allows for this type of program in other critical areas particularly in the area of foreign languages. There are many, many States and many school districts which are requiring increased construction in the area of foreign languages and I believe that we have and will continue to have this serious shortage of qualified teachers in those areas. I think that there are many, many people in the community who have language skilis, who have the ability in the variety of language but who do not have adequate preparation to communicate those skills, to teach those skills to other people. So a companion amendment or a bill similar to this I think would be extremely useful in that area as well.

Thank you very much.

[Prepared statement of Dr. John Gilroy follows:]

PREPARED STATEMENT OF JOHN J. GILROY, PH.D., DEAN, SCHOOL OF EDUCATION, SEATTLE UNIVERSITY

I wish to speak in support of House Bill 2805, an amendment to the Higher Education Act of 1965 to create a program supporting midcareer teacher preparation programs for individuals with expertise in science and/or math.

We know of the critical need for qualified teachers in science and mathematics. I believe that there are individuals with expertise in these areas who are considering a career change and who, with proper preparation, could become fine secondary school teachers.

As material disseminated by the Harvard Graduate School of Education states: "The reasons individuals give for wanting to become classroom teachers at midcareer are multiple and varied, but many come seeking a change in the quality of their lives and hope to contribute to the education of young people. Some midcareer scientists and mathematicians have reached a point in their careers where opportunities for advancement are limited. It is at this point in their lives that many stop, take a fresh look at their lives, and wish they could do something socially useful."

It is true that these individuals could enter already existing teacher preparation programs. I believe, however, that they have unique needs which can best be met through a special program. The opportunity to exchange views with and have support from one another during the time of their preparation is critical. In our doctoral program in Educational Leadership we have found this concept of a cohort group gaining knowledge and support from one another of great benefit. We are dealing with older people who may learn differently, who need a different set of experiences than the 25–30 year old person.

A well designed, well implemented program could have a very positive effect on the quality of teaching in the math and science areas.

I urge your support of this well crafted bill.

99TH CONGRESS
1ST SESSION

H. R. 2805

To amend the Higher Education Act of 1965 to create a program supporting midcareer teacher training programs for individuals with expertise in mathematics and science, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 19, 1985

Mr. CHANDLER (for himself, Mr. GOODLING, Mr. HENRY, Mr. JEFFORDS, and Mr. TAUKE) introduced the following bill; which was referred to the Committee on Education and Labor

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A BILL

To amend the Higher Education Act of 1965 to create a program supporting midcareer teacher training programs for individuals with expertise in mathematics and science, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Mid-Career Math and Science Teacher Training Act".

SEC. 2. AMENDMENT.

Title V of the Higher Education Act of 1965 is amended by adding at the end thereof the following new part:

"PART G—MIDCAREER TEACHER TRAINING

"PURPOSE

"SEC. 581. It is the purpose of this part to encourage institutions of higher education with schools or departments of education to establish and maintain programs that will provide teacher training to individuals who are moving to a career in education from another occupation in which they developed expertise in mathematics or science, or both.

"COMPETITIVE APPLICATION FOR GRANTS

"SEC. 582. (a) From the funds available for this part, the Secretary shall make grants to institutions of higher education on the basis of the competitive selection among qualifying applications. Institutions selected as recipients shall be awarded (1) an initial planning grant for use during the first two fiscal years after selection, and (2) for those institutions demonstrating successful performance with the planning grant, a renewal grant for use during not more than two additional years.

"(b) Applications for grants under this part shall demonstrate that—

"(1) the applicant will establish and maintain a program of midcareer teacher retraining designed to prepare individuals for teacher certification requirements who already have a baccalaureate or advanced degree and job experience in mathematics or science (or both);

"(2) the applicant has designed a program which includes at least the following elements:

"(A) a screening mechanism to assure that individuals who are admitted to the program possess the current subject matter knowledge needed and the characteristics that would make them likely to succeed as classroom teachers;

"(B) a clear set of program goals and expectations which are communicated to participants; and

"(C) a curriculum that, when successfully completed, will provide participants with the skills and credentials needed to teach in specific subject areas as well as a realistic perspective on the educational process;

"(3) the program has been developed with the cooperation and assistance of the local business community;

"(4) the program will be operated under a cooperative agreement between the institution and one or more State or local educational agencies; and

"(5) the program will be designed and operated with the active participation of qualified classroom teachers and will include an in-service training component and follow-up assistance.

"(c) Applications for grants under this part shall be reviewed by a panel of experts in teacher training designated by the Secretary. The Secretary shall, to the extent of available funds, select at least one applicant from each of the ten regions served by the Department of Education.

"AMOUNT OF GRANTS

"SEC. 583. The initial planning grant to an institution of higher education shall not exceed $100,000 for the two years for which it is available. The renewal grant to an institution shall not exceed $50,000 for each of the two years for which it is available.

"REPORTS AND INFORMATION

"SEC. 584. Each institution of higher education that receives a grant under this part shall submit to the Secretary such reports and other information on the program it conducts under this part as the Secretary deems necessary. The Secretary shall disseminate such information to other institutions of higher education for the purpose of promoting greater use of midcareer teacher training programs without direct Federal financial assistance.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 585. There are authorized to be appropriated to carry out this part $4,000,000 for fiscal year 1987 and $5,000,000 for each of the three succeeding fiscal years."

Mr. **Ford**. Thank you, Mr. Chandler is the champion at this idea.

Mr. **Chandler**. Well, Mr. Chairman, I really appreciate the opportunity to make a very brief comment. Dr. Gilroy, I want to thank you for your very strong support and your leadership in this area. This is not an idea that was original with me. I discovered the work that was being done at the Harvard Graduate School of Education, visited with them. Dr. DiEugenio and I went there last spring to talk with them and their students. We then developed the legislation that you see here in H.R. 2805.

I think the nice thing about this is we do not have to spend an awful lot of money and we do not have to spend it over a long period of time to get this kind of program started. What we envision is one institution, independent or public, in each of the 10 Federal regions applying for and receiving grants that would be startup in nature over a 3- to 4-year period to get this kind of program going. There is already considerable interest in it in the country. I certainly agree with you that we should not limit it to math and science; we did that in this legislation because of the critical need in that area.

Frankly, I am very concerned that we in facing this need for math and science teachers not overlook the fact that we also need good humanities teachers. Whether it is a former engineer or a former Congressman, I think that we have a wealth of talent out there in the professional sector that may well by their own choosing or perhaps that of voters decide that they need a career change. This may well be something that would attract them in the area of education where they are so badly needed.

I appreciate the opportunity, Mr. Chairman, to comment on this. Perhaps when the committee goes to Massachusetts, it would be appropriate to have someone from Harvard testify on this idea.

Mr. **Ford**. Thank you very much and I will be interested again, Rod, in working with you on this because I have had so many experiences with this over the years. I had the interesting experience when I was a local judge; I was also an attorney for a schoolteachers union and I volunteered at the local high school to go over at 7 in the morning and teach a course without compensation in social studies as they called it then and discovered that I could not do that because although I had a bachelors degree and a doctorate of laws degree, I was not qualified to teach in a high school, even for free.

I later worked for many years with Lloyd Meeds from this State who probably did more for vocational education in this country then anybody who has ever served in the Congress. I tried the same idea with moving people who knew how to do things into vocational education and we ran into that same block that in most States teachers certification gets in the way of that transition. What you have come up with here is an interesting way to get around that because one presumes that something could be worked out that if they come to a school of education for preparation in those elements that distinguish teacher education from other kinds of education that they would be able to be certified as a teacher and that that would not rouse the old fears of the teachers' profession about having nonprofessional puff balls coming into the classroom and confusing their students. I notice that you would let the school decide whether the person had the characteristics that would make them a good teacher and I think that is a form of discrimination at the local level that ought to be encouraged. Not everybody that I encounter who says "I would like to go into the schools and really tell them what is going on," do I want in the classroom, including a good many of our colleagues. Many of you may remember the old Job Corps, and I call it the old Job Corps because it has been all but destroyed. In the Job Corps we did some very interesting things, we were not operating through public school systems so we did not have the rules that the public school systems have and we did what the military did during World War II. We went out and they had an experienced person teaching a course in—for example landscape gardening which was a fortunate early program for low income kids from big cities, they took to it very eagerly and as you well know now across the country there are more people who have someone else take care of their yard then take care of it themselves. It is a new American way of life and these young people coming out of that program find employment. They go to a garage and get a person who was an absolute expert at rebuilding transmissions and he taught the kids how to build transmissions. Most vocational education teachers would not know one end of a transmission from the other. It worked very well. It worked well because it was outside of the school system. That program made it possible to get those people in contact with kids who themselves were out. They would not be in the Job Corps if they were not drop outs and in trouble. I think that Rod's bill and what you said here, Doctor, provide a way that we may be able to solve one of the big stumbling blocks and move that into the schools and I would be happy to work on that one.

The next panel is Mr. Ross Warner, student at Pacific Lutheran University, Mr. Jonathan Roberts, associated students of the University of Washington, Mr. Carl Donovan, president of the Washington Student Loan Guaranty Assocation, Anna Griswold, associate director, office of scholarship and financial aid, Washington State University and Brent Orrico, senior vice president, Washington Mutual Savings.

Mr. Warner.

STATEMENT OF ROSS WARNER, STUDENT, PACIFIC LUTHERAN UNIVERSITY

Mr. **Warner**. I would like to thank you for the opportunity to appear before this group——

Mr. **Chandler**. You need to pass him that taller microphone, that is the public address. The others are for recording.

Mr. **Warner**. I would like to thank you for the opportunity to appear before this group and to say that I am honored to provide information on an issue that will be affecting so many people.

I would like to say that my testimony may be a little more general then my distinguished colleagues here on the panel but I believe it could be of special value to you from my perspective as a student in hearing about financial aid. For this reason I have chosen to address two of what I feel are very important issues in the financial aid area. Those are the GSL Program and the Pell grants.

The GSL Program is a very important key for many students in providing finance for their higher education. While it is very important, I believe it also possesses an inherent problem of the excessive debt that can be incurred in this area. I believe this is a problem because No. 1 with the huge debts that can be incurred in this program, it discourages many students from even pursuing higher education, not only in the private sector where tuition may be higher but even in the public sector and I think this is detrimental.

Second, from a private standpoint, I believe that because our tuitions are higher and the debt may be larger, this threatens our commitment to maintaining a wide economic base as a mix for enrollment. I think that is a very important key in higher education especially in the private sector.

The third problem I see with the GSL Program and the excessive debts that accompany it is upon graduation If a student has an excessive debt burden and perchance chooses to marry someone from the college with an excessive debt burden, that puts them in a very detrimental position in society. They are not as able to buy consumer goods such as homes, cars, and major appliances. I see that as being a detriment to our economy. I also see that if those consumer goods are chosen to be purchased as a creating segment of our society, they are resigned to live a continuing debt. I think that is something that needs to be directed and looked at with this program.

In regard to the Pell Grant Program, I believe it should be kept as the foundation upon which the rest of financial aid is added to. With the Pell grants, I see the purchasing powers dramatically decline and I have cited some of those examples in my submitted testimony. I see a few areas I think of major concern. One is to protect the Pell grant against inflation. I would recommend funding this at the schedule that has been talked about in reauthorization. I think in doing so we will protect against inflation and insure that the maximum awards go to those students who are most needy.

Second, I think it is important to recognize with the Pell Grant Program that we are dealing with a changing foundation of people. There are numerous studies that are involved with the changing demographics of the nontraditional students who are coming to higher education. I think that changing foundation needs to be directly reflected in the Pell grants.

Thank you for this opportunity.

[Prepared statement of Ross Warner follows:]

PREPARED STATEMENT OF ROSS H. WARNER, STUDENT, PACIFIC LUTHERAN UNIVERSITY

Mr. Chairman and members of the Subcommittee on Postsecondary Education, my name is Ross Warner. I am currently a student of junior standing at Pacific Lutheran University in Tacoma, Washington. My course of study lies in business administration. Upon graduation I plan to pursue a Masters degree in International Management and eventually a career in this field. I am a lifetime resident of the state of Washington.

I am honored to be invited to appear before you today to present my views as an independent university student on the reauthorization of the Higher Education Act. It is my hope that my testimony, along with the many others presented to this committee, will help to create the rounded perspective needed to adequately reflect the many interests involved in the reauthorization process.

There are two major areas I wish to address. These areas are first, the Guaranteed Student Loan program, and secondly, the Pell Grant program.

The Guaranteed Student Loan program is one of the most important ways many students use to turn the dream of independent higher education into reality. This program coupled with a measure of personal sacrifice, has given qualified students an opportunity that otherwise would not have existed. However, within this opportunity the problem of excessive debt burden has emerged.

Findings indicate that extremely high levels of debt are being taken on by needy students. A study by the National Institute of Independent Colleges and Universities revealed that families with incomes of less than $6,000 were as frequent borrowers of the maximum amount allowed by law as the other borrowing families. The same study indicated that in many cases twice the family's adjusted gross income was borrowed.

These statistics are distrubing for many reasons. Faced with the possibilities of incurring large financial debts in order to attend college, many potential students choose not to incur the debt and enter the work force instead. This trend will severely threaten independent colleges and universities commitment to maintaining an enrollment of wide economic mix.

As a business student I am struck by the potential macroeffect such debt burdens could have on our economy. Students who graduate with enormous debt burdens, possibly to marry a spouse with equal debt burden, are severely limited from buying such consumer goods as homes, cars, and major appliances. If such purchases are choosen in spite of the existing debt burden, the danger exists of creating a segment of society that is resigned to continually live in debt.

As always, it is easier to see problems than it is to see answers. And, I do not pretend to have the vision to offer answers to these problems. Loan limitations, consolidation of payments, and eligibility limitations are possible options that I believe show merit and should be explored.

The Pell Grant program is the second major area I wish to address. Equally as important as the Guaranteed Student Loan program is the Pell Grant program. Created in 1972, the new strategy focused support on students rather than institutions. With this focus it built upon the Higher Education Act of 1965. The chief concept was to equalize the higher education opportunity. Today, one half million independent college and university students receive Pell Grants.

However, it is within these figuress that I believe a problem exists. The problem I am referring to is the decrease in Pell Grant purchasing power. Using data from a study by the National Institute of Independent Colleges and Universities illustrates this idea. In 1979 the average cost of a small private liberal arts college was $5,400, and the lowest income student could receive $1,800, or one-third total cost, through the Pell Grant program. Last year the same average cost was $9,400, and the maximum Pell Grant was $1,900, or less than one-fifth of the student's expense.

I believe it is essential that the original idea of the 1965 Act, to equalize the higher education opportunity, be retained. In addition, I believe the Pell Grant should remain the foundation grant from which the remainder of student aid should be added.

It should be recognized that the changing demographic trends of increased nontraditional and minority students have shifted the Pell Grant "foundation." The Pell Grant program should be amended to assure access to all eligible students to all types of higher education. If this is not addressed independent institutions will suffer as the "cross-section" enrollment gives way to the "socio-homogenius" enrollment.

I thank you for allowing me the opportunity to present these remarks, and hope they will be of service to you.

Mr. **Ford**. Thank you. Mr. Roberts.

STATEMENT OF JONATHAN D. ROBERTS, PRESIDENT, ASSOCIATED STUDENTS OF THE UNIVERSITY OF WASHINGTON

Mr. **Roberts**. Thank you very much, Chairman Ford, Congressman Chandler. In that the State and the Federal Government participate in providing higher education, I feel it is important to give some background and know what is happening with the student within this State and their educational picture. The student in the State of Washington is really feeling trapped particularly in the last 5 years, tuition has doubled, State grant program at least in the last volume realize a reduction, there is an increase in this buying year and at the same time we are feeling like the quality of education is declining whereas the cost of education is going up.

The State tax structure is extremely unstable which means that the State is often in a situation where they are having to find cuts. Higher education frequently bears the burden of those cuts within the State. Higher education of the people that have testified before me can certainly attest to that fact. This all leads to the fact that the support which the Federal Government gives the students within the State is vitally important. I do not feel it is fair for the Federal Government to have to supplement the State unduly for its inability to adequately support higher education but from a Washington students' perspective I feel that it is important that you be mindful of the fact that we are in a desperate situation financially in this State and cuts on the Federal level will have even a greater impact on students within the State. There has been a trend in the State of Washington for students to bear a greater portion of their education and Chairman Ford, I realize that you are from Michigan and in that system students pay a high proportion; there should be some key differences noted between our two states in that regard.

University of Washington, the higher education system, public education system is second to Michigan in the proportion which the students are paying for their education. Some key differences, in the State of Washington, our tuition goes to the State—goes into the general fund whereas in Michigan, as I understand it, the tuition remains within the education system, whereas in Washington, our money is going to the State. You also have a more extensive grant program which means that students in a sense, are feeling this increased burden. We have become a weak link in the funding mechanism within the State of Washington. We are realizing that an increased tuition and during this year and into the next years, there is increased emphasis on paying for other expenses such as particular operating portions of budgets. With the University of Washington there is a proposal right now for us to pick up the burden of the computer operating system in the school of engineering which has legitimate reasons, they do need that operating system but the point is that students are being forced to that burden.

So from a Washington students' perspective, we feel a great need as Dr. Morris pointed out the amount the Federal Government gives the University of Washington needs to be maintained because it is particularly important.

Another point which I wish to address and which is I think fairly well graphically portrayed in my testimony is the fact that it is becoming increasingly difficult for students to pay their way through education. An argument that I often hear on the State level is that we paid our way through education, So why can't you. I feel that it is vitally important that students do work and I think that is an important part of education. I myself work during the year and have worked since I was 15 in the summers. I would not trade that aspect of my education for anything. But I think that this graph demonstrates that the real earning power of students is declining whereas our expenses are rising rapidly which creates this gap which was referred to earlier. That further creates the need for aid and it may be possible for students to work their way through education. But using minimum wage as a base which is the most stable base is really not as feasible as it was. I think this graph demonstrates that, in fact, the trend is that our real learning power is decreasing whereas our expenses are increasing. Within the State of Washington in 1984 it should be noted our tuition is going to jump another 23 percent so if we were to graph this in 1985 it would be an even more significant need.

So, in conclusion I would say, the State of Washington has made students a weak link in higher education and I certainly hope the Federal Government does not do the same because the effects as has been mentioned would be devastating and I feel very detrimental to the higher education system particularly within this State.

[Prepared statement of Jonathan Roberts follows:]

Prepared Statement of Jonathan D. Roberts, President, Associated Students of the University of Washington

Federal financial aid support is a vital part of Wahsington State's higher education system. Washington's slow economic recovery, unstable and regressive tax system, and lack of financial support for higher education, has created a situation in which students depend heavily upon Federal financial aid programs. The problems facing the students in this state include: escalating tuition which has doubled in the past five years; inadequate and rapidly declining state financial aid; high unemployment among students which has made it increasingly difficult to afford a college education; and the increasing gap between student's real dollar earning power and the cost of education in Washington.

Although, the federal government is not responsible for supplementing an inadequate state financial aid program, the educational future of thousands of Washington state students depends on the continuation of current levels of federal programs.

The proposed cuts in federal level financial aid would have an amplified impact on the students of this state who would find it impossible to attend college given the deficient levels of state support for higher education. In the case of the University of Washington, out of approximately 30,000 students, 12,000 received $35 million of financial aid in some form during the 1984-5 school year. About 70 percent of these recipients were undergraduates, the remaining were graduate and professional students. The funding for the University's financial aid program is supported 86 percent from the federal level, 12 percent from several state programs, and 2 percent from private sources.

It is obvious from these figures that Washington students depend greatly on these funds from the federal level. In fact, the Washington state legislature provided only 43 percent of the national average of financial aid dollars per full-time undergraduate student in the 1984-5 school year. With our state's current system of taxation and reallocation of funds, we foresee no relief for students in the near future from this pattern of placing additional costs within the responsibility of the student.

Again, we are not asking you to overcome this state's deficiency, but to be aware of our unique situation and recognize our plea for the maintainence of current levels of federal funding of financial aid.

Another consequence of our state's financial situation has been a constantly escalating rate of tuition which has doubled in the last five years. Next year we face an additional 23 percent increase in dollar amount of tuition. While in dollar amount our tuition is not high compared to our peer states, we, as students, contribute 33 percent of our total cost of education which ranks us in the top ten percent of all states for percentage of education costs paid by the student.

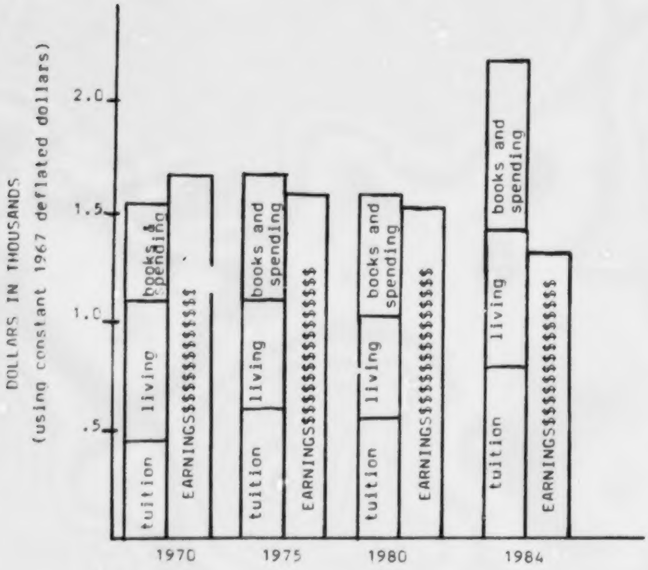
The Univerisity of Washington Office of Student Financial Aid has established budgets for the 1985-6 school year as to the cost of tuition, books, room and board, transportation, and personal expenses, and estimate that a full-time undergraduate who is not living with his parents, will need $6,741.00 to attend the University next year. This cost can only be expected to increase throughout a student's college career.

Many times we have heard the argument from our parents and older members of the community that "they worked their way through college and we should be able to do the same". We would like to, but with increasing costs and decreasing student earning power, it is not possible for a student to earn enough money to pay for all school expenses. (see attached graph) If we assume a student works, at minimum wage, for nine months at twenty hours per week, and three months at forty hours per week, he will be able to earn approximately $3,000.00. This is well below the estimated costs of education set at $6,741.00. Of course, it is possible to look to parents for additional funds, or work longer hours, but that is not always a viable option. So, students look to financial aid funds to make up the difference.

An education should be earned, not bought. In Washington state, this precious commodity will soon be available only to those with the money to pay ever increasing tuition and related costs, not those proven academically worthy. We urge you to maintain current levels of funding of financial aid to insure that this does not happen and to provide funds for those most needy. A good education is vital to a bright future and until Washington is able to adequately fund higher education we rely on our share of federal dollars in hope that they can be used to improve our situation.

YEARLY STUDENT EARNINGS COMPARED TO ANNUAL EDUCATION COSTS

*** yearly student earnings based upon assumption of nine months work at twenty hours per week and three months (summer) at forty hours per week.



SOURCES: COUNCIL FOR POSTSECONDARY EDUCATION
THE STATISTICAL ABSTRACT OF THE UNITED STATES

UNIVERSITY OF WASHINGTON
Office of Student Financial Aid

1985-86 STUDENT BUDGETS

These budgets are established by this office to determine student eligibility for federal, state, and institutional need-based financial aid. They are based on surveys of students' costs, comparisons with other schools, input from housing and transportation agencies, and they reflect cost-of-living changes. They cover modest but adequate costs for most students attending this University. Students may submit written Revision Requests to have additional, documented costs (medical or dental expenses, childcare, etc.) included in their individual budgets.

	Commuter* (lives with parents)	**Single Non-Commuter** (lives in dorm or off-campus)	**Married**** or **Single Parent-1 Child**
Books	$ 399	$ 399	$ 399
Room and Board	1,101	3,039	5,580
Misc/Personal Expense	1,089	1,158	2,004
Transportation	555	555	855
Total	$ 3,144	$ 5,151	$ 8,838
Each Add'l Dependent	--	--	$ 1,542

1985-86 TUITION (proposed)

	Resident	**Non-Resident**
Undergraduates	$ 1,590	$ 4,446
Graduate Students	2,304	5,760
Medical/Dental	3,738	9,510

*Dependent students, whose parents live within reasonable commuting distance, are assigned a "Commuter" budget even if they do not live at home.

**If both attend school, each uses one-half these figures (except Books).

5/85:1000

STATE STUDENT FINANCIAL AID APPROPRIATIONS PER FULL TIME UNDERGRADUATE STUDENT

	1983-84	1984-85	PERCENT CHANGE
ALABAMA	$ 7.86	$ 9.49	17.2%
ALASKA	15.69	19.03	17.6%
ARIZONA	12.01	14.72	18.4%
ARKANSAS	34.59	72.06	52.0%
CALIFORNIA	110.82	141.26	21.5%
COLORADO	124.88	157.72	20.8%
CONNECTICUT	116.64	119.30	2.2%
DELAWARE	21.58	22.79	5.3%
FLORIDA	61.23	70.47	13.1%
GEORGIA	23.23	25.05	7.3%
HAWAII	9.23	6.75	-36.7%
IDAHO	6.23	8.03	22.4%
ILLINOIS	337.69	367.11	8.0%
INDIANA	139.05	140.17	0.8%
IOWA	197.77	213.69	7.5%
KANSAS	54.19	53.53	-1.2%
KENTUCKY	90.02	100.58	10.5%
LOUISIANA	8.00	9.67	17.3%
MAINE	9.88	9.92	0.4%
MARYLAND	44.81	59.95	25.3%
MASSACHUSETTS	117.53	162.49	27.7%
MICHIGAN	116.42	126.51	8.0%
MINNESOTA	361.82	431.88	16.2%
MISSISSIPPI	6.74	8.35	19.3%
MISSOURI	57.92	57.95	0.1%
MONTANA	18.10	15.74	-15.0%
NEBRASKA	8.22	10.44	21.3%
NEVADA	13.13	16.34	19.6%
NEW HAMPSHIRE	9.79	10.06	2.7%
NEW JERSEY	321.31	373.70	14.0%
NEW MEXICO	21.02	18.93	-11.0%
NEW YORK	573.67	677.97	15.4%
NORTH CAROLINA	23.64	24.76	4.5%
NORTH DAKOTA	18.25	17.94	-1.7%
OHIO	135.01	149.28	9.6%
OKLAHOMA	71.71	62.92	-14.0%
OREGON	100.63	107.47	6.4%
PENNSYLVANIA	268.94	281.62	4.5%
RHODE ISLAND	191.44	193.69	1.2%
SOUTH CAROLINA	131.50	145.97	9.9%
SOUTH DAKOTA	4.04	12.82	68.5%
TENNESSEE	49.61	60.91	18.6%
TEXAS	61.20	54.81	-11.7%
UTAH	12.49	19.78	36.9%
VERMONT	350.58	370.41	5.4%
VIRGINIA	19.88	19.87	-0.1%
WEST VIRGINIA	84.60	91.66	7.7%
WISCONSIN	132.67	140.72	5.7%
WYOMING	8.33	5.98	-39.3%
50-STATE AVERAGE	157.78	179.59	12.1%
WASHINGTON	81.51	78.02	-4.5%
PERCENT U.S. AVE	51%	43%	

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Mr. **Ford**. Thank you very much. Mr. Donovan.

STATEMENT OF CARL C. DONOVAN, PRESIDENT, WASHINGTON STUDENT LOAN GUARANTY ASSOCIATION

Mr. **Donovan**. Chairman Ford, Congressman Chandler—I feel like I am talking to the press here.

Mr. **Ford**. You are whether you know it or not.

Mr. **Donovan**. Chairman Ford, Congressman Chandler, my name is Carl Donovan, I am president of the Washington Student Loan Guaranty Association, a nonprofit guarantee agency serving the State of Washington. I am pleased to be invited this morning to share with you some of my thoughts on reauthorization of the GSL Program.

My comments will focus on two areas of concern, one the need to reassess priorities for Federal financial support to the GSL Program and two, the need to further control the incidents of delinquency and default. The first issue is reassessment of Federal financial support. My views on Federal support are based on preservation of the following two critical features of the program, the first being that loan guarantees for all students and parents who need to borrow to finance their education and two, in-school interest subsidy for students whose financial resources fall short of education expenses.

The system of Federal financial support should be restructured to directly address these two critical issues. Until such a restructuring is accomplished, we will continue to experience annual disruptions to the program as attempts are made to control costs and short term savings. The results of short term budget pressures are familiar certainly to you and to all of us through proposals for arbitrary income lids, increased origination fees and reduced support for graduate students. The only effective way in my opinion to control GSL costs is through long term structural changes. In this regard, I propose the following: First of all, provide eligibility for guaranteed loans for all students and families regardless of income.

Two, collapse the GSL and the student plus loan programs into one program with an inschool subsidy feature for needy students only.

Three, require borrowers to pay their loans back at variable market rates but place a contingency ceiling on the rate to the borrower above which a special allowance would be paid. I would suggest about 12 or 15 percent. Extend the length of repayment to up to 20 years after graduation.

My second issue is control over delinquencies and defaults. In discussing my second concern, I would like to draw on my experience over the past 6 years with administering the GSL Program in Washington. The Washington Guaranty Agency has devoted a great deal of effort to keep default payments to a minimum with the result as you heard this morning that a default rate is about one-half the national average—let me digress here a minute, Congressman.

The figures that were quoted to you this morning are gross figures, they were published by the Department of Education at the close of the last Federal fiscal year, September 30, 1984, 9.4 I think percent for GSL only. Ours was at that time 4.6, WSU's as I recall President Smith testified was 2.9 so those were the figures that you heard this morning.

We exercise a very tight review over information submitted by the student at the time of application and support an extensive preclaim assistance service. In addition we have implemented the following practices and procedures to control delinquencies. First of all, we administer a very thorough inschool enrollment confirmation process whereby enrollment status is confirmed and double checked with each school three to four times a year at the beginning of each academic term. We maintain a 98-percent response rate from our schools and an enrollment status check, we feel this is one of the critical features in controlling delinquencies.

Two, we actively encourage a multiple disbursement of loans with the result that 75 percent of GSL's are disbursed on a quarter or semester basis each year at the start of the academic term. This is in short a more responsible use of the loan proceeds and a substantial reduction in interest subsidy and default payments.

Three, we require that all checks be mailed to the schools for endorsement, this serves as a double check that the borrower is enrolled; in addition, it helps to insure that the proceeds are used directly for educational purposes.

Fourth, to avoid over alliance on any single capital source, which can translate to a loss of control over adequate loan servicing, we urge then assisted in the creation of a State secondary market with an ongoing mission to furnish up to 20 percent of loan capital in the State but no more then 20 percent.

In my opinion however, several other steps should be taken to control delinquencies and defaults which will require statutory amendments. The first is less reliance on borrowing by lower division students offset by an increase in use of loans by upper division and graduate students, in other words a higher grant package in the lower division. We found a very high coorelation between the ability to repay a loan and the students year in school.

The second, strengthen the impact of a guarantors action to limit or suspend a schools eligibility to participate in the GSL Program by applying the results of any such action to the schools eligibility under the program nationally subject to a timely appeal process.

My proposals are offered here to improve upon a program which has been well conceived and which has undergone a number of very beneficial adjustments over the past 20 years. The GSL in my opinion by any measure is a very highly successful social program, thanks in large part to you, Congressman Ford.

Thank you for inviting me to testify this morning. I would be happy to discuss my views further with the committee.

[Prepared statement of Carl C. Donovan follows:]

PREPARED STATEMENT OF CARL C. DONOVAN, PRESIDENT, WASHINGTON STUDENT LOAN GUARANTY ASSOCIATION

Chairman Ford, members of the Committee, my name is Carl Donovan. I am President of the Washington Student Loan Guaranty Association, a non-profit guaranty agency serving the State of Washington. I am pleased to be before you this morning to share with you some of my thoughts on Reauthorization of the GSL Program.

My comments this morning will focus on two areas of concern:

(1) The need to reassess priorities for federal financial support to the GSL program, and

(2) The need to further control the incidence of delinquency and default.

A reassessment of Federal financial support: My aviews on federal support are based on the preservation of the following two critical features of the program:

(1) Loan guarantees for all students and parents who need to borrow to finance their education, and

(2) In-school interest subsidies for students whose financial resources fall short of education expenses.

The system of federal financial support should be restructured to directly address these critical features. Until such a resructuring is accomplished, we will continue to experience annual disruptions to the program, as attempts are made to control costs through short term savings. The results of short term budget action are familiar to all of us, through proposals for arbitrary income lids, increased origination fees and reduced support for graduate students. The only effective way to control GSL costs is through long term structural changes. In this regard, I propose the following

1. Borrower eligibility—Provide eligibility for guaranteed loans for all students and families, regardless of income.

2. Program simplification—Collapse the GSL and the student Plus loan programs into one program with an in-school subsidy feature for needy students. Retain a separate, non-subsidized parent Plus program, with terms identical to student loans except for the absence of an interim period and the elimination of deferments for other than hardship cases.

3. Repayment terms—Require borrowers to pay variable market rates. Place a contingency ceiling on the rate to the borrower above which a special allowance would be paid. Extend the length of repayment to up to 20 years after graduation and encourage graduated repayments where needed. Permit lenders and secondary markets to consolidate subsidized and nonsubsidized loans in repayment.

4. Student loan limits—Reset loan limits periodically to address increasing costs, but constructed by recognized studies of debt manageability. With adoption of the forgoing interest subsidy and repayment provisions, the only impact of increased loan limits on federal expenditures would be on the level of in-school interest subsidy for students with demonstrated financial need.

Control Over Delinquencies and Defaults: In discussing my second concern, the need to control delinquencies and defaults, I would like to draw on my experience over the past six years with administering the GSL program in Washington. The WSLGA has devoted a great deal of effort to keep default payments to a minimum, with the result that our default rate is about one-half the national average. We exercise a very tight review over information submitted by the student at the time of application and support an extensive preclaim assistance service. In addition, we have implemented the following policies and procedures to control delinquencies:

(1) We require a very tight in-school enrollment confirmation process, whereby enrollment status is confirmed and double-checked four times a year at the start of each academic term. As a result, we maintain a 98 percent response rate from schools on our enrollment status records.

(2) We actively encourage the multiple disbursement of loans, with the result that 75 percent of GSLs are disbursed on a quarter or semester basis each year. This has ensured a more responsible use of loan proceeds and a substantial reduction in interest subsidy and default payments.

(3) We require that all checks be mailed to the schools for endorsement. This serves as a double-check that the borrower is enrolled. In addition, it helps to ensure that loan proceeds are used directly for educational purposes.

(4) To avoid over-reliance on any one capital source, which can translate to loss of control over adequate loan servicing, we urged and assisted in the creation of a state secondary market with an ongoing mission to furnish up to 20 percent of loan capital in the state.

(5) To expand our program review capability, we require that out-of-state schools maintain program eligibility under the guaranty agency operating in the state in which they are located.

In my opinion, several other steps should be taken to control delinquencies and defaults which will require statutory amendments. These include:

(1) Less reliance on borrowing by lower division students and increased use of loans by upper division and graduate students. We have found a high correlation between the ability to repay a loan (and its impact on probability of default) and the student's year in school.

(2) Strengthen the impact of a guarantor's action to limit, suspend or terminate a school's eligibility to participate in the GSL program by applying the results of any such action to the school's eligibility under the program nationally, subject to a timely appeal process.

My proposals are offered as minor adjustments to a program which was well conceived and which has undergone a number of very beneficial adjustments over the past twenty years. The GSL, by any measure, is a highly successful social program.

Thank you for inviting me to testify this morning. I would be happy to share my proposals further with the Committee.

Mr. FORD. Thank you. Anna Griswold.

STATEMENT OF ANNA GRISWOLD, ASSOCIATE DIRECTOR, OFFICE OF SCHOLARSHIPS AND FINANCIAL AID, WASHINGTON STATE UNIVERSITY

Ms. GRISWOLD. Thank you. Congressman Ford, Congressman Chandler, in my role as a practicing administrator at Washington State University and serving now as the current president of the Washington Financial Aid Association, I appreciate the opportunity to speak with you today about reauthorization of the title IV student assistance programs and represent to you the recommendations shared by my institution and by many members of our State association. In attendance at this hearing are many interested members from the financial aid community in the State of Washington. A number of colleagues all here with me. I am also pleased that two student leaders from Washington State University, Dave Pridemore, and Michael Vislocky are in the audience as well as the other students I am sharing this panel with. As well, I am very honored to have been able to participate with Dr. Smith our new president at WSU and Congressman Chandler, I can assure you that we will work close with Dr. Smith to give you the institutions specific information that you referenced earlier.

The broad representation of the groups present here is reflective of the concerns and the interests in this very important process. When you add to this the representation we have here from the lending community in Washington and professionals from our State loan association and our State grant program, we have a sense of the important partnership that exists in this State working to meet the educational and financial needs of students and their parents. I am grateful to you, Counselman Ford for your shared concern of this partnership and all the evidence you have given in the past and presently to the student aid programs.

Part of the focus of this panel today is for Guaranteed Student Loan Program and I have a number of issues about the Guaranteed Student Loan Program that I would like to mention. I think there is a greater need of those issues if I place them in the perspective of the interaction of the GSL with other title IV programs and I would like to do that. This reauthorization process provides the opportunity to improve and strengthen programs overall. We feel that the variety of the types of programs that we currently have should be preserved; we think that these programs in their variety form a very solid foundation, one on which the Higher Education Act is based. The acts can be compared to a home that has a very strong foundation, a generally workable structure. One would not necessarily tear down a home and start over or even renovate it too drastically. A family and Federal Government in case the

Higher Education Act might wish to think in terms of additions to a home in order to broaden its use but budget pressures such as those that we face in this country may not permit additions to this house.

While this brings about some limits on the creativity that we would like to offer in broad restructuring the program, we think we ought to have a challenge to look in terms of some creative renovation within the existing size of the house in order to make it more workable for todays needs without necessarily going into drastic, extensive cost add ons which would not seem necessarily responsible today. Some walls in this house need to come down, some rooms in the house need to make more efficient use of very small spaces, the entry way to student aid needs to be fixed, there are too many latches, sticky doorknobs, it is hard for these students to find their way in.

Once in the house, the rooms and the floor plan design are not totally functional. There are trap doors for quality control. Study type make the house uncomfortable. This hinders access because aid administrators turn their focus to fear of reprisal rather then clear analysis of student need. While we recognize that even small renovations could cost money, we are offering recommendations adhering to some basic philosophical beliefs that these costs are investments and education as a national priority is a solution to the problem, not the problem itself. I reiterate what Mr. Donovan has just said that as we look to solutions and particularly in the Guaranteed Student Loan Program that we look for ones that are for the long term and not those that are short term, stopgap budget fixes because we feel that this weakens the investment that we wish to protect.

Looking more closely at the Guaranteed Loan Program and the Pell Grant Program, we can begin to see how a better balance can be achieved and the expenses in one is used to increase support in the other would create the long term solutions to the high cost associated with maintaining the Guaranteed Loan Program in particular. So the following recommendations for the Guaranteed Loan Programs we feel offer solutions to the problems that face this very important invaluable program to the students in our State: One, we must suggest that the Guaranteed Loan Program become a need base program utilizing the uniformed methodology approach to need analysis.

We feel that giving the aid administrator discretion within the uniformed methodology approach will help insure that middle income families can continue to be served. We would suggest that increased student borrowing limits are needed to more realistically meet todays costs. We feel that a students needs are met at the onset to the greatest possible extent, they are less likely to drop out and we know that this is a factor which contributes to default.

We would suggest extending repayment periods at the same time however and giving more options to students for repayment also is a cost saving measure. It is possible that higher interest rates could be borrowed during the repayment period for some students. We would recommend the elimination of the origination fee, we feel that students should be able to realize the greater net amount of their loan proceeds. At my institution for instance as a result of the dollars lost to the student through the origination fee for most students it may be tuition and mandatory fees can be paid but very often books cannot be purchased through the guaranteed student loan.

We would also recommend that under reauthorization consideration be given to once again appropriations for administrative cost institutions under the Guaranteed Student Loan Program. The Guaranteed Loan Program is coming to represent one of the largest program activities for many aid offices. We feel that administrative allowance recognition will help strengthen the partnership in the processing and delivery of student loans. Hopefully in the long run, cost savings will be better realized from better management of the loan programs with more support. And then as a GSL recommendation, we recommend increased grant borrowing to students and it is an emphasis that I think and a message that we hope we can carry to you today. We feel that students need to borrow during the first 2 years of their college education should be reduced and this will come about through greater reliance during first 2 years on being able to fund student need through combinations of grant and work study programs. We would encourage a close look at this. It serves as a cost saving measure to the Guaranteed Student Loan Program, certainly it reduces the cost associated with the inschool subsidy by reducing that period.

For low and moderate cost institutions, students needs should be able to be met through the combination to the greatest possible extent of grants and work programs.

I would like to move briefly to some recommendations for the Pell Grant Program being that it is the largest grant program and take a look at the problems that it faces and look at some possible solutions to help achieve a better balance between loans and grants so its student indebtedness is reduced to a manageable level. We endorse the statements presented to you in an earlier hearing by Mr. William Bennett, NASFAA president, relative to the Pell Grant Program. Increased grant amounts in accordance with the levels described in the law is one thing we certainly would recommend. We would hope that it would be possible as we move ahead with the Pell Grant Program that we acknowledge more realistically the cost of education and use it to determine individual grant amounts for students. We feel that the administrative costs associated with this program could be put back into direct grants for students if the central processor were eliminated.

Not only is there tremendous cost associated with this, it makes very complex the delivery of the Pell grant to the student and parents understanding of this whole process. It increases administrative costs at our institutions just in an effort to interpret that process to the student in a meaningful way and give the money into their hands in a timely fashion.

We would also suggest a look at introducing greater flexibility in the need determination for Pell grants similar to that which exists in uniform methodology. The formula approach to the Pell grant and its heavy reliance in looking at the AGI we feel results in some eligibility that, given the entitlement nature, we give the grants to students who are not necessarily in all instances among our neediest students. We see this frequently enough on our campus that we feel this is something that warrants a closer look at the determination of need as we exercise in our campuses, in our institutions in a most responsible fashion. Through utilizing uniform methodology, it could result in targeting regular grant dollars to the neediest students in order to fund their education.

I would like to address briefly and just leave it to my written testimony to elaborate the tie into our recommendations for the campus based program with its entire concept of how can we raise costs in the Guaranteed Loan Program and how can we have a shift of grants to the lower division years and loans to upper division years as a viable solution to some of the problems facing programs today that we certainly do not want to be without but we need to strengthen and redirect to address current needs.

One of these would certainly be maintaining continued funding in the College Work Study Program. At my institution and I am sure many of my colleagues here today would agree we see more and more a direct coorelation between student employment and success in college. We strongly recommend its continuation. The Supplemental Grant Program continues to provide us with the flexibility to meet needs especially of single parents, the higher need group students that we are serving more and more of these days.

The National Direct Student Loan Program is a wonderful program, it gives us the opportunity for students who need to borrow less or perhaps its need to round out aid packages to meet their needs. To have a more limited loan access at the campus level somewhat reduces borrowing and with the benefit of a so much smaller interest rate rather than redirecting students into the more costly GSL Program is a viable solution.

One last program, small but very important is the SSIG Program. In the State of Washington these incentive grant dollars from the Federal Government represent 25 percent of the total grant dollars that our State has built into the State need grant program in the State of Washington. This money is targeted on our campuses to the neediest student populations in our State. We are concerned that if these dollars are eliminated that this sends a message to States about the Federal commitment and that it may follow over the years that State efforts and funding grants would also diminish.

I would like to generally close having made some statements that I recommend about management of the programs for your review that we look very closely at all the barriers that we have set up that effect access for students just in the application process for student aid itself. This is becoming a growing concern to us. We feel at this point that reauthorization is a time for us to set forth ways to change a negative focus that has in fact has come to permeate the programs recently in the media with all the talk of student loan defaults and costs associated with the program. The programs have a very long standing and proven effectiveness and they deserve better then the regard they are given by many today.

Thank you, Congressman Ford for the opportunity to participate in the hearing today.

[Prepared statement of Anna Griswold follows:]

Prepared Statement of Anna Griswold, Associate Director, Office of Scholarships and Financial Aid, Washington State University; President, Washington Financial Aid Association

Congressman Ford, Members of the Subcommittee, my name is Anna Griswold. I am the Associate Director of Financial Aid at Washington State University and the current President of the Washington Financial Aid Association. I appreciate the opportunity to speak with you today about the Reauthorization of the Title IV Student Assistance Programs and represent to you the recommendations shared by my institutions and by many members of our state association. In attendance at this hearing are many interested members from the financial aid community in the state of Washington. I am also pleased that two student leaders from Washington State University are in the audience, David Pridemore and Michael Vislocky. As well I am honored to be present with Dr. Smith, our new President of Washington State University.

The broad representation of the groups present here is reflective of the concern and interests in this very important process. Add to this the representation here today from the lending community in Washington and professionals from our state loan association and state grant program and you have a sense of the important partnership that exists in this state working to meet the educational and financial needs of students and their parents. I am grateful to you for your shared concern for this partnership and all the efforts you have given in the past and now to the student aid programs.

The focus of our panel today is the Guaranteed Student Loan Program. There is greater meaning to the GSL issues which I wish to address if put in the perspective of the interaction of the GSL with the other Title IV programs. This reauthorization process provides the opportunity to improve and strengthen the programs. We feel that the variety of types of programs that we currently have should be preserved. This forms part of the very solid foundation upon which the Higher Education Act is based. Like a home with a strong foundation and a generally workable structure, one would not tear it down and start over or renovate it too drastically. Also, a family, like the federal government, may wish to add on to this home, however budget presssures may not permit additions to the house. While this poses some limitations on creativity in offering new ideas, this does offer the challenge of creative renovation within the existing size of the house in order to make it more workable for today's needs. Some walls need to come down, some rooms in the house need to make more efficient use of small spaces.

The "entry way" to student aid needs to be fixed. There are too many latches and sticky door knobs and it is hard for needy students to find their way in. Once in the house, the rooms and the floorplan design are not totally functional. There are too many trap doors where Quality Control studies hide and make the house uncomfortable. This hinders access because aid administrators turn their focus to fear of reprisal rather than clear analysis of student need.

Even small renovations to houses or financial aid programs cost money, so I am offering our recommendations adhering to basic philosophical beliefs that these costs are investments and education as a high national priority is a solution. Solutions to problems that are perceived or real in the current student aid programs must be ones for the long term, however, and not put into place for short term stop gap budget fixes. This weakens the investment we wish to protect.

Looking very closely at the GSL program and the Pell Grant program, one can begin to see how a better balance can be achieved and the expenses in one, if used to increase support in the other, would create the long term solutions to the high costs associated with maintaining the GSL program. The following recommendations for the GSL program offer solutions to the problems facing this important program.

1. Make the program need based, utilizing the Uniform Methodology approach to need analysis. Aid administrator discretion will make possible serving the needs of middle income families who most need this program.
2. Increase student borrowing limits so that educational costs can more realistically be addressed for students using this program. If needs are met, students are less likely to drop out, a factor which contributes to default.
3. Extend repayment periods and options to student borrowers. Consider passing the subsidy on to students who may be able to pay more interest during the repayment period.
4. Eliminate the origination fee. Students should be able to realize a greater net amount of their loan in the process of borrowing annual maximums in particular. The loss of full net loan to the origination fee for most students at my institution,

for instance, means that tuition/mandatory fees are paid but not all of their books can be purchased.

5. Provide for administrative costs at institutions where loan volume in the GSL programs represents the largest program activity for many aid offices. This will strengthen the partnership in the processing and delivery of loans to students which will, in the long run, realize some measure of cost savings through better management of the program at the school level.

6. Increase available grant dollars so that the need to borrow during the first two years of college is reduced, especially at low and moderate costs institutions. Students are often more firm in their goals and persist in completing their degrees during the upper division years; so shift the emphasis on borrowing to the upper division level. This reduces the in school subsidy period and a greater number of student borrowers going in to repayment will be those who have completed their degrees. A factor which reduces default.

The following recommendations for the Pell Grant program offer solutions to the problems facing this important program. These solutions help to achieve a better balance between loans and grants so that student indebtedness is reduced to a manageable level. We endorse the statements presented to you in an earlier hearing by Mr. William Bennett, NASFAA President, relative to the Pell Grant program.

1. Increase grant amount in accordance with the levels prescribed in the law.

2. Address acknowledgement of more realistic costs of education in the determination of individual grant amounts.

3. Reduce administrative costs in this program by eliminating the central processor. Put this cost savings back into grants to students. Elimination of the central processor also reduces confusion to students and parents in the delivery process. High costs are incurred at institutions as a result of the complexities as increased need for telephone and written communication is required to make the process work.

4. Introduce greater flexibility in the need determination for Pell Grants similar to that which exists in Uniform Methodology, whereby aid administrators can more realistically address need by taking into account family resources which we see available but because these resources redcue the AGI, Pell Grant eligibility results. We see some families who are not among the neediest who receive Pell Grants and the aid administrator is not in a position to suggest that the student does not need the grant, with the more rigid formula approach.

The following recommendations for the Campus-based programs offer solutions to the problem of loan imbalance in the Title IV programs:

1. Continue and increase funding to the College Work Study Program. For those students who can realistically handle work this program is an alternative to borrowing. At my institution and others we see a direct correlation between student employment and success in college.

2. Increase funding to the SEOG program so that higher grant levels at the first and second year of enrollment can be given in lieu of loans. This program is instrumental in meeting the higher needs of re-entry students and especially single parents for who employment is not always a viable option to meeting college costs.

3. For students with smaller borrowing needs to meet the costs of education or for rounding out small unmet needs in their aid packages, the National Direct Student Loan continues to offer aid administrators the flexibility to meet unique student needs and create meaningful packages. For students whose borrowing needs can be met solely from this program, there is no need to turn to the more costly GSL program. Loan limits should be increased moderately to address the rising costs of education.

Recommendations for the SSIG Program:

1. We recommend continuation of this program. Specifically we endorse positions presented to you by the National Association of State Scholarship and Grant Administrators.

This program has been highly successful in the state of Washington toward meeting the needs of the neediest student populations in our state. The Federal incentive dollars represent one-forth of the funding in the Washington State Need Grant Program. In our state this program contributes directly to reduction of borrowing among very needy students. We are concerned that elimination of the SSIG program sends a message to states about the federal commitment and that it would follow that state efforts in funding grants would also diminish.

Recommendations for the Management of Student Aid Programs:

1. Increase self initiatives in the areas of determination of selfsupporting student status, verification and other quality control measures.

We believe that self initiatives from within the Financial Aid Profession will strengthen the commitment and integrity in the management of the programs and will promote the achievment of excellence in the administration of the student aid programs. At my own institution and others I believe that more is gained in the area of verification and determination of selfsupporting student status, for example, than is gained from federally mandated rules that suggest 'one size fits all'. We know our students and our families. Our approaches in analyzing their data submitted on the forms and our succinct but less complex verification processes has resulted in greater reliability in the way families report their information to us. The costs associated with highly prescribed rules for verification and the complexities in the application and delivery processes for students and their parents represents more than ever a deterent to access for the very needy and most often for minority students. The forms proposed for use in 1986–87 are designed to serve the needs of the aid administrator in obtaining the data needed to do federal validation. The result is a more complex and awesome form for students and parents to face. We feel that this is counter productive and far from the intent of making the programs accessible. We continue to set up barriers intended to address the relatively small problem areas associated with student reporting or institutional management. There are other ways to get at such problems apart from setting up barriers for those students and parents who need us the most and need these programs.

Reauthorization is a time to set forth ways to change the negative focus that has come to permeate the programs. The programs are long standing and proven effectiveness and deserve better than the regard they are given by many today. Indeed, many of us in this room today are beneficiaries of the Title IV programs.

Thank you, Congressman Ford, for the opportunity to participate in this reauthorization hearing today.

STATEMENT OF BRENT A. ORRICO, SENIOR VICE PRESIDENT, WASHINGTON MUTUAL SAVINGS

Mr. ORRICO. Chairman Ford, thank you for allowing me to appear here today. My name is Brent Orrico and I am a senior vice president with the Washington Mutual Savings Bank located here in Seattle. We are the largest currently GSL lender in the State and I must say it is in no small part due to the past leadership and influential participation by both Congressman Chandler and Senator Evans in the history of our bank.

I think my most important duty here would be to say that the ideas proposed by Mr. Donovan and Ms. Griswold from the bankers standpoint will work and from the bankers standpoint I look at the concern over the debt loan on an individual borrower, the concern over default and the concern over the ability to stretch payments out and to make them work for an individual who even if successful in finishing a college program will just be beginning his or her professional career.

I have described this in my testimony as a partnership and I believe that. There is no one group or one entity among the parts of this partnership that can be weakened without it weakening the rest of us in the enterprise of providing access for education. It is not unlike a venture capital proposition. I do not think there is any question that the investment we make in education returns its total investment many times over; however, that alone is not enough of an excuse for us to not make sure we are optimizing the funds that are provided. We know that in a venture capital proposition you very often have failures, you have dry wells, I think that is an analogy to the default we sometimes see and what we would like to propose is that the funds that are provided are used in their optimum fashion.

The reason that we have talked extensively about loading the front end of the college experience with grants is that the coorelation from a lenders standpoint is that is where the highest risk is, that is where the defaults are most likely to occur. By translating the grant aid to those higher risk situations, hopefully we can reduce the amount of funds that are paid over the time period of the student aid for the repayment of defaulted loans. It also by pressing the loan portion of the student aid to the later years in college reduces the number of years through which the Federal Government must subsidize loans if we are to have an in-school subsidy.

We also strongly believe that through the use of modern techniques of lending not unlike the modern techniques that have been brought to bear in mortgage lending and other types of consumer debt in order to deal with the issues of deregulation of interest rates and with interest rates which are above levels that this country has experienced in its previous history of being able to make larger loan amounts at higher interest rates affordable, we believe that for example—not to limit fixed payment plans rather than fixed interest rate plans, loans can be just as affordable from the standpoint of monthly debt service as the loans which are now provided at 8 percent under the subsidized program.

We also feel there is a benefit here again from the lenders standpoint. Even the individual who successfully completes college education, goes into the work force and is successful, that person has no particular incentive to repay a GSL loan versus lending that that person may take on at market rates of interest. This means that again for a longer period of time the Federal Government may be required to subsidize a loan which that individual may not require to be subsidized for their financial benefit. By rolling over, the term we use to represent prepayment of loans on the private sector, we would see I think a shortening of the average maturity of the loans outstanding if these were closer to market rate and not subsidized down to below market rates and you would see the total amount that the Government would be required to subsidize reduced with respect and relative to the total number of loans made. Again, we have looked at what the two major costs are in the GSL Program, that being the default and subsidization. We believe that the kinds of programs that have been proposed by our State, Guaranteed Student Loan Association can work with the same number of dollars available now to provide more financial aid, to reduce the costs and to provide us with the more effective and optimally operated student loan system.

[Prepared Statement of Brent Orrico follows:]

PREPARED STATEMENT OF BRENT A. ORRICO, SENIOR VICE PRESIDENT, WASHINGTON MUTUAL SAVINGS BANK, SEATTLE, WA

Mr. Chairman and Members of the Subcommittee: I appreciate the opportunity to testify before this Subcommittee on the issue of the reauthorization of the Higher Education Act and the effect the decisions which will be made may have on the partners in this effort to provide educational opportunities to all who might benefit from them.

May I confirm that I do say "partners" with all sincerity and earnestness. In a mutual effort to provide millions of our citizens with a real opportunity, despite its relentlessly increasing costs, to enjoy the benefits and experience of a post-secondary education, the Federal Government, the Student Loan Marketing Association, state student loan guarantee associations and their marketing associations and lending institutions from the private sector invest more than $10 billion a year in post-secondary education through a combination of grants, student loans, loan guarantees and interest subsidies. It is an endeavor that requires the full participation of each of the parties, one which truly can only be vital as long as each partner is willing and able to perform its part.

To date, the program of financial assistance to post-secondary education has produced many tangible successes; it also has produced some very tangible costs. While no finite calculation of the relationship between the costs and benefits of our post-secondary education may exist, I believe there is little doubt that an educated population provides an opportunity well worth our nation's investment. However, a proven and profitable investment is no excuse for tolerating waste or less than optimum allocation of the resources available. While my specific charge is to describe the effects changes in the current Act may have on the lending institution, it is in fact the partnership's concerted effectiveness that is most at issue. We as a venture will be only as able as our least capable member. Therefore, I would hope that the issue of reauthorization resists becoming a compromise of deletions, reductions, restrictions and retrenchment. This cannot become a deliberation over whose ox will be gored. We all must appreciate that there is only one ox: the opportunity of post-secondary education for all our country's people. Instead, let us look to utilizing the funding that is available in the most efficient and effective manner to achieve our goal.

To uphold the lender's part of the partnership, it is critical that the Guaranteed Student Loan Program (GSL) retain its economic validity as a profit opportunity. While there well may be certain intangible benefits to any lender for participating in GSL, in a deregulated environment the long-term participation of the private sector cannot be based solely on eleemosynary considerations or public relations benefits. The banking industry of this day and age is under extreme pressure to provide high performance to its depositors and shareholders and to maintain satisfactory capitalization levels as proscribed by our regulatory authorities. Each of these priority demands on the resources and management of today's banks and thrifts argues against the allocation of time, effort and funds to projects which dilute the institution's earnings or constrict its capital base.

As currently authorized, the Higher Education Act does provide a fair opportunity, if carefully planned and managed, for the lender to operate student lending profitably and, thereby, justify its participation in the GSL. However, this profitability is dependent upon three critical elements present under the current act. They are:

1. Investment quality of the security, a result of the available guarantee provisions.
2. Market level, variable rate of return, a result of the federal repayment subsidy and the pricing format tied to a treasury bill index.
3. Sufficient fees and other income to support marginal operating costs, now available through a combination of the special allowance and the multiple disbursement process.

As a strategic decision, we made a significant management investment in the student loan program to assure its profitability. We have identified the primary elements to achieving this objective. First, because over 90% of our costs are fixed, maintaining a consistent, high volume of production is essential to maintaining yield. We currently serve 15 percent of our State's borrowing needs, a good deal in excess of our share of the market in terms of branches or depoists. This implies that competition is severe among lenders under the current GSL to generate a sufficient volume of loans to cover operating costs on a profitable basis. It also implies that actions which reduce the total volume of GLS lending will make this effort all the more difficult.

Second, our average loan amount exceeds $2,000 and, at our current origination volume, our cost to originate totals approximately $46.50 per loan. By using the multiple disbursement method and managing our cash flow, it is possible to add about 2 percent to our yield in the year of origination.

Combined with the special allowance and the variable nature of these assets, and assuming a risk of loss factor near zero, maintained by selling all loans prior to the commencement of repayment, we are able to earn a marginal return approximately at the mean for all of our consumer loan business under the existing GSL format.

I stress the fact that this is a marignal return; in other words, our analysis assumes the business can be carried on using our existing facilities and support systems and does not require any significant marginal expense related to such elements as advertising or funds acquisition. If analyzed on the basis of burdening student loans with the average costs of our facilities and overhead on a pro-rata basis, our program, even at current volume levels, would fail to meet our internal profitability standards. In other words, the GSL needs the lenders and their existing staffs and facilities. The program cannot run on a stand alone basis and still be cost-justified. Likewise the lender can use the GSL to optimize the value of its brick and mortar, customer base and staff.

The point in relating these figures is to document the fact that a significant amount of our management time is expended in achieving an acceptable profit level with our student loan program under the existing formula on the GSL. Without the opportunity to generate at least an average return on any of our lending programs, the question must be visited as to whether the Bank is allocating its limited resources in a manner that protects the interests of its depositors and fulfills the obligation to its shareholders. In a deregulated environment, there is scant opportunity, or justification, for the strong lines of business continuing to carry the weak.

As a partner in the student financing venture, the lender has a great appreciation for the benefits derived from vital, universally available higher education. At the same time, of course, the lending community is particularly sensitive to the dangers inherent in a growing federal deficit and to the difficulties arising from high interest rates and restricted credit availability. But, more critically, we, as the credit providers in the interdisciplinary undertaking that is financial aid to education, understand that to weaken or divert the support of any of the partners in this enterprise serves to weaken all the partners and, consequently, the effectiveness of student assistance. I say this as both a lender committed to operating a self-sustaining lending program and as an individual convinced that our investment in quality education returns its cost many times over in our nation's quality of life.

What then, should reauthorization accomplish? Obviously, the conflicting demands to fund increasing educational cost while decreasing deficit expenditures of the federal government cannot be resolved under the status quo. I believe that an answer may lie in reallocating the funds already available for student post-secondary assistance in a manner that the economist would describe as "optimizing utility."

From our statistics, lenders know that a disproportionate number of delinquencies and defaults occur with students who fail to complete their undergraduate programs. It would be my proposal that grants be increased in size and made available to more students at the entry level of post-secondary education. At the same time, student loans, again with increased annual maximums, be reserved for students who have completed successfully the initial years of their educational programs. In theory, this will result in reduced default costs, reduced in-school subsidization costs and larger, more economic individual student loans.

I further advocate the implementation of a fixed payment, rather than fixed interest rate, amortization schedule for student loan repayment terms. A growing and well accepted product available today from most consumer lending organizations is the variable-rate installment loan. Such programs allow for lower monthly payments and lower interest rates, off-set by loan maturities which automatically extend or contract depending on the actual level of interest rates experienced during the term of the loan. By employing such a repayment plan for future GSL loans, student-borrowers would absorb a greater share of the interest cost of their loans without having to pay a drastically larger monthly payment and would have an incentive to prepay the outstanding loan amounts, since these would not be subsidized to the bargain rates currently available.

In summary, I believe post-secondary education will be best served by preserving the viable partnership now in place, using the funding available, even under a deficit reduction program, in its most economic fashion. I am confident that with innovative approaches and cooperative efforts, along with a long-range perspective on the part of our budget planners, there are sufficient funds available between the public and private sector to make affordable post-secondary education a reality for all.

Mr. **Ford**. Thank you very much. Mr. Roberts, I believe I heard you say that a very substantial part of the student population here works either in school or between the school sessions, supporting themselves. You gave a very interesting chart here on the earnings compared to annual education costs. Do a substantial number of your students work?

Mr. **Warner**. Yes they do but I am not aware of the figures.

Mr. Ford. How do you react to the current push that is being made for a differential of the minimum wage so that more jobs will be made available to students and young people?

Mr. Roberts. That chart is based upon students working 20 hours a week during school, 40 hours a week in the summer based on financial aid, so I can only assume that if minimum wage drops, that you are going to see even a wider disparity between what they are able to earn and the cost of education from college in its perspective that would have a negative influence.

Mr. Warner. I can only tend to reiterate what he has said, money is money and I think that the differential would only increase if the bid were low.

Mr. Ford. Are your students aware of the fact that there is a push from the administration to create the subminimum wage for students and young people?

Mr. Roberts. No, not completely.

Mr. Ford. Well, you better get aware of it. As a matter of fact the bill that we need by Wednesday of this week that was sent over to the Senate is being held up because a Senator from Utah has attached to it the subminimum wage. Maybe one of the reasons that they think that this is such a good idea is because they are not hearing from students across the country about what it means to students who are trying to work their way through school. And what it means in effect is that the same job you had last summer if the employer was paying you minimum wage, you could have this summer for a subminimum wage because you are a student, someone older then you cannot have that job for the subminimum wage so theoretically there will be an incentive to hire more students except at a lower rate.

Mr. Donovan, lets talk about this default rate program. In the brief conversations my staff and I have had with the business people since we have been here, we came up Saturday afternoon from Portland, it is apparent that here like elsewhere in the country most business men Mr. Orrico, including every banker that I run into, thinks that the default rate of the Guaranteed Student Loans is someplace around 30 or 40 percent. We keep saying that it is down nationally to 5 percent and the newspapers do not like to write stories like that because there is no excitement in saying that something is working.

Why is it that when you people in education in Washington know that you have a better default rate than the national average that the citizens still believe that the default rate is much higher. What can be done in your opinion to get the media to pay attention and through them the citizens to the fact that indeed the overwhelming majority, over 95 percent of the people not only pay their loans, but pay them on time?

Mr. Donovan. We have found that to be an extremely difficult process. As you are well aware, Congressman, the Federal program operated—Direct Federal Insurance Program operated certainly in this State through 1979 from 1965, and the population has very much a mind set on those default rates, they are extremely difficult to turn around. Now we have had good press, I will say that we have had at least a half a dozen articles over the last couple years and in good sections of the paper highlighting our default rate or certainly noted it.

In addition, we have had excellent hearings in our State legislature.

Mr. **Ford**. Well, let me suggest something to you. If you make the statement the way your predecessor on an earlier panel did and let it hang there, that is what is likely to make the 30 second snip on the news. If the Washingtonions default rate is less then half the national average, that is worse because that says to the citizens of Washington, we are paying the freight because our people are better than the rest of them and that is the reason why this is not a good national program and that is why I asked him if he was using gross or net numbers because when you quote the gross numbers you get the 9.4 and I like the less than 5 which is the net number. Some people are doing a much better job at that than they were doing a few years ago. I hope we can enlist you and all like you that are trying to get that message across, if you can convince your bankers that it is not true, you will be doing better then I can in Michigan. Some of my best friends are bankers and none of them believe me when I tell them what the default rate is. Your reserves, what kind of reserves do you have in the State guarantee agency?

Mr. **Donovan**. One and a half percent of outstandings.

Mr. **Ford**. And how much money have you got?

Mr. **Donovan**. About $7 million.

Mr. **Ford**. How much of that is Federal advance?

Mr. **Donovan**. The majority of it about $5 million I believe, Congressman. We are in the agency and as yet we have not gotten much of our loan funding.

Mr. **Ford**. How old are you?

Mr. **Donovan**. Six years, 1979.

Mr. **Ford**. Well it is certainly no secret to you people at State Guarantee Agencies that have been looking for a way to get first year savings in programs without taking money away from students and we have a very substantial amount of money that was given to State agencies as advance funds to build their guarantee fund up, their reserves. The money was never intended to be kept, it was intended to be kept so long as you needed it. We were in Pennsylvania last week for Congressman Goodling who had the State guarantee agency there. They indicated that if we took back most of the Federal advance that they had there would be a slight drop in their earnings, but that it really would not affect their necessary reserves. I have checked it out in my own State and found that you could get several million dollars there and while there would be a little squawking, in fact it would not affect the stability at all. We are looking for a way to reach out and try to find at least $100 million across the country which is a way to get some money back so that we can get credit for it. The Senate has already agreed to a $200 million cut for the first year cost which means to me when I go to conference that I would have to get close to 100 without taking it from students.

As a new agency, I would solicit you do what I suggested to Mississippi which is even newer and very small. You figure a way for us to exclude you for a reasonable time from that recapture and we can get it from the states that can well afford to give it back to us. It sounds kind of mean to suggest that those States who got into the program early, did the best job, grew fastest, are now going to have to give the money back and those States who had to be brought in at the point of a gun later get to keep the money. You are unfortunately one of the States that stayed out of the program for many, many years for whatever reason. In some States it was a political issue. In effect, we are saying to the old and established people, "You people got into this early, you have done a great job and we want to take some of your money back." The Secretary presently has the authority to take the money back but no Secretary of either HEW or Education has ever done anything to encourage recovery. That is good for us because it is now laying out there and we figure there is well over $200 million of Federal advance funds. You only have—what do you say $5 million?

Mr. DONOVAN. $5 million.

Mr. FORD. You are only a little part of that and most of the newer agencies would be a little part of it. Go to work and figure out how if we ordered the Secretary to recover advance funds we ought to write it so that we do not cripple your needed reserves.

Mr. DONOVAN. Congressman, if I may——

Mr. FORD. How you can throw a little in the pot without hurting yourself is what I am asking you to do. Now I am a big spending Democrat you understand trying to get you to cut.

Mr. DONOVAN. I do have a separate set of proposals in the financing apparent fee agencies and one of them does pertain to the reserve issue, reserves as you are well aware serve two purposes in the guarantee agencies partly for to increase earnings to plop back into the reserves and also to act as a stop gap upon our defaults.

Mr. FORD. How heavy do you rely on your insurance premium?

Mr. DONOVAN. It is about 70 percent of our operating expenses.

Mr. FORD. What are you charging?

Mr. DONOVAN. 1 percent a year during school year.

Mr. FORD. You mean during school?

Mr. DONOVAN. No, technically no. I think the graduation date disqualifies. Actually it stems beyond the intern in some levels and in others——

Mr. FORD. That unfortunately is what most of the State guaranteed agencies will do. That is why you see growing up in some parts of the country the alternative guarantee agencies who in one instance, one that actually acts as the agency for seven States, they have cut that twice in the last four years. I am fascinated by the fact that the majority of the State guarantee agencies are continually charging the full amount that we allow.

Mr. DONOVAN. We did reduce ours at one time but had to bring it back up again and we fully intend to reduce it again as soon as we possibly can. I might mention on the reserve fund, I believe we can phase out those reserve funds and I am having our general counsel look into the possibility of substituting the reserve funds with a letter of credit which is used as you know in other Federal programs where the Federal Government may recall the money but substituting it with a letter of credit which will accomplish the same thing as reserves. Of course the letter of credit does not have the earnings available to the agency and we would need to accommodate that in some way but I am working on a proposal with that——

Mr. **Ford**. It will phase out if the numbers crunchers would consider the letter of credit a contingent liability and charge us for it. I have to get it back and with real dollars.

Anna, how much of a problem do you think the independent student is at this institution in the way this problem comes to you?

Ms. **Griswold**. It is a problem——

Mr. **Ford**. You are not here, you are Washington State.

Ms. **Griswold**. Yes, I am at Washington State University, do you want me to——

Mr. **Ford**. Go ahead.

Ms. **Griswold**. OK.

The independent student issue is one of our favorites. Our own internal processes at our institution to perform verification of which we do on 100 percent of our students, in more and more institutions in the State as I talk to my colleagues are coming to do that. I contend that—and I used the term in my written testimony that proposals for verification trying to get at independent student issue that is being one that suggests that one size fits all and there are different institutions where you attract different type of students, we get the sense about our families that come to WSU a sense of what constitutes an independent student and the process of verifying, we would like to rely more on the concept of self-supporting as opposed to independent a condition of the definition of independence is what has your ability to support yourself apart from reliance on your family's resources and not shifting to student aid or the Federal Government.

So, we ask students on a document that is pretty straightforward and simple and not threatening to tell us about it, how did you live last year. We get some very creative sorts of responses to that and find them very interesting but many of them are very viable and you come to see how an independent student is born. What we find on that sort of a document is students saying "I had a loan from my parents, a $4,000 loan from my parents" and that warrants taking a closer look. We question whether that is a self-supporting student, a parent who can loan a student $4,000 to become self-supporting can very possibly be in a position to support the education of that student. We see a concern or desire on the part of the parents to aid in that shift and we try to do a lot of communicating with parents and educating them to the greatest extent we can as we ask them for verification, documentation, copies of tax returns for an independent student to reveal whether or not the student has been claimed. These continue to show us what an independent student is or is not.

Mr. **Ford**. Have you seen the proposal for the definition that has come to us from your national association, NASFAA, and from the American Council on Education, age 22 except with final determination made by the campus?

Ms. **Griswold**. Yes.

Mr. **Ford**. How does it strike you with that work at your institution?

Ms. **Griswold**. Part of it is workable, the NH factor is arbitrary, it is like some of the income.

Mr. **Ford**. Well the administration would permit 22 with no exceptions.

Ms. **Griswold**. OK. The age 22 I think misses a whole group. I think attempting to take a look at students whose situation implies that being a family, that of having children of your own to support are worthy of looking at as one tough——

Mr. **Ford**. One of the exceptions is if you are a ward of the court or an orphan?

Ms. **Griswold**. Yes; that is right.

Mr. **Ford**. Veteran?

Ms. **Griswold**. Not necessarily.

Mr. **Ford**. You have to put the veteran in or it will not float. Or the parent of a dependent child or married.

Ms. **Griswold**. Right.

Mr. **Ford**. You have to be 22 or any one of those. Would that work at your school?

Ms. **Griswold**. I would still want to take a look at the other factors that we currently look at about that student, when did they last live in a home, what is the means of that parent to support them for their educational costs. I do not think we can exclude looking at family responsibility. I think that is difficult because I think it is coming——

Mr. **Ford**. Will you look at your association's proposal and analyze it and submit something for us on how you feel about it?

Ms. **Griswold**. Yes, yes I will.

Mr. **Ford**. Thank you very much. Mr. Chandler.

Mr. **Chandler**. Well, I think that is really an important point. I recall that when I was in the legislature the concern that nonresident students applied as residents and the pretty creative mechanisms they used to qualify. When you talk about the independent status, do you feel that this is a large abuse area?

Ms. **Griswold**. I think it is a large abuse area.

Mr. **Chandler**. And difficult for you to determine?

Ms. **Griswold**. Yes, when suddenly you have an institution like ours, we have 33 percent of our students qualifying as independent and it does not bother me that our older population of students is coming onto my campus that would tend to increase that percentage effectively but a lot of these independent students, they are very newly independent, we do not see where there can be an ability to establish a truly self-supporting and I do not know that we are atypical as a college campus when we are saying that.

Mr. **Chandler**. There is not much question about given the demand for assistance. When you have a student who could have an education and assistance is given him then you are taking it away from someone who badly needs it who is not, in fact, provided for.

Ms. **Griswold**. If I could comment briefly on a study that we did that changed our packaging strategy. For those students who did prove out the test of independence and we could not get beyond that, with respect to the entitlement programs or Pell grant and guaranteed loans after determining that all the criteria had been met, we adopted it as much as we could, we packaged students just with those two programs, students whom we called newly independent. Interestingly enough with your full needs not being met, I had no problems staying in school.

Mr. **Chandler**. Now; just one other question—well, perhaps two more—you made quite a point of college work study and the academic performance of the students. I would just like to have you underscore that and maybe comment a little more about it. Does this also apply to cooperative education? Do you have that kind of program?

Ms. **Griswold**. Well, we have a cooperative education program on our campus, it is small but growing and there is interest and attention being turned to it and we will certainly be joining in and looking closer at that between the aid office and that particular office on campus. We determined that the average GPA on our campus of students and the Work Study Program was somewhere between 2.8 and 3.2—I do not remember exactly, it was quite high given the high needs of the students in particular which often represent other source of needs for some of the students in the academic area.

We have about 33 percent of students on our campus employed either through work study or on campus jobs that are not necessarily work study funded.

Mr. **Chandler**. Then the results are the same. Those students who work seem to do better academically then those who do not?

Ms. **Griswold**. Yes; if they have persistence and there are many out there in which they persist in obtaining their degree while working toward that degree.

Mr. **Chandler**. Carl?

Mr. **Donovan**. Congressman, may I comment on that?

Mr. **Chandler**. Sure.

Mr. **Donovan**. Prior to my current job I helped develop a Work Study Program at the State level which you were very instrumental in passing, a State Work Study Program. Some of the features of that, it requires comparable wage to other employees which we had found had a great deal of pay off in terms of acceptance by fellow employees and in terms of the seriousness in which employers treated the work study placement. As a result many students, many more students were able to get placed in jobs much more directly related to their field of study and I think that really augmented some of their training on campus and really did help strengthen their performance academically and I would like to kind of hold that up as a possible model for possible readjustments.

Mr. **Chandler**. All right, I have to——

Mr. **Ford**. I take it from that that the State Work Study Program permits private employers?

Ms. **Griswold**. Yes.

Mr. **Donovan**. Yes; it does.

Mr. **Chandler**. I have to admit to a bias here, Mr. Chairman. In 1965 I returned to higher education as a sophomore at the age of 23. I was married and my wife and I both worked under the Work Study Program. That was our only source of income. We were truly independent I will assure you we were able to get through college and my grade point average was right in there with the average that you are talking about. Just because I did it does not mean it is the only way, but it has certainly been my experience through the years. As Carl knows, I worked on our Work Study Program here and the problem is to create those opportunities for the students. Mine just happened to be in the same job that I was going to go into later in my career. That is ideal if you can match up.

Now one other question with your indulgence—I do not know what your immediate——

Mr. FORD. Go ahead. We just have to clear out by 12.

Mr. CHANDLER. OK. When we were in Massachusetts we talked there with Dr. Gayle Merceth—maybe you know him. I think you may know him, Brent from some of your associations. They have a student loan association—organization—that is independent of GSL organized by the commonwealth. They utilized a tax exempt bond to finance their student loan program both public institutions and private. The unfortunate thing is that the IRS, I think, has given them until the end of this year to discontinue that program. They will have about 2 years worth of funds and then they are not sure where they are going to go. As both of us work indirectly with the tax reform bill, I can assure you that I personally intend to try to correct that ruling.

Have you looked at that potential here in the State—are any of you for that kind of a program that would augment what we have in GSL?

Mr. DONOVAN. Yes; we have worked the bond issue at great length. In this State and I have talked very closely with the independent institutions in this State, we do not at this time need to issue bonds for supplemental loan programs, we may need to in the future and I would like to possibly keep the codes flexible enough so that that can happen when needed. Beyond that, we have looked very seriously at the bond issue question and I do very strongly feel that bonds are a very integral part of the loan program. We have limited our bond issues to 20 percent of the total volume and no more to fill a lot of gaps that cannot be filled when relying totally on the full profit sector but we are constraining them in that way and I would like to have—I would like to request that the capability to issue bonds in limited amounts be retained.

Mr. CHANDLER. I appreciate your statement and I will certainly make that part of the record and that of others that have commented on this available to the Ways and Means Committee as they consider the tax reform bill.

Thank you, Mr. Chairman.

Mr. FORD. Well, the evolution of that problem for some people is that tax free revenue bonds are used for everything from building bowling alleys to condominiums.

Mr. CHANDLER. Sure.

Mr. FORD. And it is badly abused and in any program it is the abuses that always cause the problems. It was actually being abused by State agencies and the infamous Ford amendment of 1983 which the agencies did not like very well said that the Secretary should tighten up the rules and authorize tax free revenue bonds for something close to need. Without picking out States by name there were States that were borrowing much more than they needed. One of our smallest States, had about $50 million at a time when they had $3 million in loans out and it was a nice deal, they could arbitrage that money and invest it and it gave them a nice kitty. We put a limitation on it and then last year in the tax bill that passed for 1984, the overall allocations of the States was kept at $150 per capita. I was not bothered by that because my State was well below it. That same law is probably what is causing the problem you mentioned because at the end of this year the cap drops to $100 per capita.

Now what is pending in the President's bill on tax reform is eliminating it all together. I suspect that there will be a lot of us asking them if they are going to do anything to maybe reduce it and limit the uses to which it can be put to public uses because I really have doubts that we ought to be providing indirect financing for private investment through tax free revenue bonds.

We in the Midwest and the Northwest were very distressed in the early days with tax free revenue bonds because one of the inducements that the States in the Old South were using to get people to move their factories from our area to their area was that they let them finance their new construction with tax-free revenue bond money. G.M. could build a new branch down there and Uncle Sam literally financed and underwrote their capital investment. That had been going on for years and you could not do very much about it but there is a built up sort of reaction in the Congress to these kinds of abuses around the country. We hope we can keep them from throwing out the baby with the bath water when they try to correct it. The easiest way to correct anything is to end the program and obviously for some it is a very important resource. You see that Maine is telling us that they can not get dollar one approved, California in a period of some 3 months has applied for $600 million additional and that indicates they were making a run on the bank before the rules changed. Before that law of 1984 went into effect at the end of the year, there were a whole lot of applications that suddenly hit. What was hitting was that they wanted to get in before the limit and I am sure that the tax-writing committee is not going to let it go the way it is going. Maybe we can get them to exempt uses like education, port facilities, other things that have a constituency that we can join with.

Mr. Orrico, let me ask you a general question. We are being faced with proposals to cut back on the special allowance. The cost to the Government at the present time of this special allowance is the lowest it has been in many years. We were up in the 21 percent rate just a few years ago and that is the period when the GSL Program grew so fast in cost. Stockman's computer told him that any program that grew that fast must have something wrong and it ought to be cut so what he tries to do is take the money out of the front end and he cannot get enough money out of the front end. We will put up less than probably around $400 million this year of public money and you in the banking industry will leverage that into almost $8 billion of student loans. It is an awful big leverage for that initial investment so if you cut that in half you are not just gaining $200 million, you are losing maybe $4 billion in student aid. It is an awful expensive cut to make. What would be the reaction of the bankers you know to any tinkering with this special allowance?

Mr. **Orrico**. The special allowance by itself is not as critical. What is critical is what is the total interest rate or total yield that we are going to be able to earn. One of the problems as we see it has been setting the rate the student pays at a level that is based as much I think on emotion as it is on economics. The difference in a monthly payment on a $10,000 loan at 8 percent versus 10 percent particularly if you allow 2 or 3 or 4 more years to amortize that loan is not significant and yet therein lies particularly as interest rates go up a tremendous cost increase to the Federal Government in terms of the special allowance. I think that the critical thing is there has to be the opportunity for the lender to make a profit or to make this loan equal to the other opportunities they have to invest their money.

Deregulation and requirements for all of us particularly FDIC insured to maintain capitalization ratios that are above historical norms is going to put a lot of pressure on all of us to look at every single program we are involved with, whether it be student loans or automobiles or housing or whatever and make that project carry itself until at least we get to some point where we have excess capital and I am not sure that that is in the near offing but I believe if you look at the numbers, if we look at the actual real payment the student has to make, I believe there is quite a bit of room between the 8 percent we are currently charging and what is a fair amount for that student to bear.

Mr. FORD. Present?

Mr. ORRICO. Present.

Mr. FORD With T bills where they are you can maintain the yield and cut the special allowance because the T bill is now below 7?

Mr. ORRICO. Correct.

Mr. FORD. But if the T-Bill goes back to 15 or 12 or 10, then the special allowance becomes critical and what we are being told by bankers is do not touch that special allowance because they were in the program during that period of time and they realize that as a T-bill floated up and special allowance buffered it, that when it got to 21 they were still showing a yield above the highest that the prime rate ever hit.

You get down into what I believe to be a temporary situation. It is intuitive. I am not an economist. I had an economics major in graduate school and discovered a long time ago it was obsolete before they taught it to me. I have progressed, as a matter of fact. In economics classes in college it took the professor as much as 25 or 30 minutes to put me to sleep. I find as a Congressman it takes less than 15. You are coming up with an interesting, very sophisticated answer. Most bankers we ask that same question will immediately react to the 3½ percent. I suspect that most of the people involved in those decisions have attitudes that either indicate that the student loan is worth more to them than it really is or less to them than it really is, but do not have a very good basis upon which to make that assumption. Now I find, and this ties to this question about defaults, this year at the Michigan bankers banquet with the members of the Michigan delegation I was beseiged by Michigan bankers from all over the State who said, "What are you going to do about the student default rate." I could not get one of them to come within 20 percent of the default rate and then I said, "Will you please ask the person who handles guaranteed student loans at your bank what your default rate is and if it is more then the national average rate, we better help you figure it out." I did not get any letters but it is very hard to get to them if the banker says it is true. Then all of the bankers, neighbors and fellow caprotarians and chamber of commerce members know it is true because bankers know all about money. Well, I do not find bankers who know very much about how their bank does in student loans or how the student loan works with their bank. You obviously do because you have been in it and that makes you an exception. I do not know whether there is a problem in sharing your knowledge with somebody else. You mentioned that you are doing multiple disbursements?

Mr. **Orrico**. Yes we are.

Mr. **Ford**. And that has become very interesting. When I went to the Consumer Bankers Association in Philadelphia, to their special convention on student loan and they had, much to my surprise adopted a resolution to make multiple disbursements mandatory. It took me a little while to figure it out. They are talking about multiple disbursements the way you do multiple disbursements now. The administration is talking about multiple disbursements with no interest accrual until a disbursement is made not at the time of loan origination. The difference is we get the float instead of the banks. Do you think the banks would still favor multiple disbursement if indeed we delayed accrual of inschool interest until disbursement?

Mr. **Orrico**. If the program could be shown to be profitable, equal to other investments otherwise, then I would say yes because I think Carl mentioned it and we are very strongly supportive of it. If we can make those disbursements quarter by quarter or semester by semester, it helps to make sure we are disbursing to a student who is continuing their education and progressing.

Mr. **Ford**. It has another very great appeal. There is no question that in that 5 percent of defaultors that we have out there, the large majority of them are people who drops out early in school. Most people who finish school whether it is a 2-year program or 4-year program or graduate program do not show up unless something unusual happens. It is the one who drops out, a student who borrows $2,500 at the beginning of their first school experience they drop out after 2 months and the $2,500 is owed for something they never got. They went to school to get an education; they did not get it, so why should they pay for it. That is not a difficult conclusion for me to understand so multiple disbursements might very well have a significant impact on the potential defaultors by reducing the amount of debt that they can get into before they had finished at least a year of school.

So we are looking at it very closely and when you say if they still remain profitable, I would like to have something from you on an indication of what would happen with your own package. You can run that through your computer. Would it cause you to start taking another look at how much you wanted to commit to student loans if we mandated multiple disbursements with the interest accrual at the time of disbursement, how would it work out for somebody like you?

Mr. **Orrico**. I know right now that that float is 40 percent of our income on the program. Now, I should explain. We have positioned ourselves to sell the loans to the secondary market either our State agency or Sallie Mae at the end of each year so that we do not carry some of the larger lenders do, the loan until the beginning of repayment or clear through to term so there is the effect of that float during the first year is significant to us because of the way we manage our particular portfolio.

We might change the way we manage it if necessary and we still can see it as being a viable program.

Mr. **Ford**. If you can do that without jeopardizing any proprietary information with our institution I would appreciate it and do not identify any institution for that matter. Just say this is what would happen to any bank that has this kind of situation and run it through for us and see what it does. And that is assuming two disbursements or possibly three.

Mr. **Orrico**. The average is about 2.6.

Mr. **Ford**. If you have a quarter system; schools here are trimester?

Mr. **Orrico**. Yes, trimester.

Mr. **Ford**. Thank you very much. Do you have anything else?

Mr. **Chandler**. No.

Mr. **Ford**. I want to thank Rod for inviting the committee out here. We are very pleased that we were able to work it into the schedule and very pleased to have all of the people who testified today contribute to the record on reauthorization.

[Whereupon, at 12 noon, the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

UNMET STUDENT FINANCIAL NEED
IN THE
STATE OF WASHINGTON

A Study
Of The
"Need Gap"

Council for Postsecondary Education
State of Washington

STATE OF WASHINGTON

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-- Denis Curry
April, 1985

UNMET STUDENT FINANCIAL NEED IN THE STATE OF WASHINGTON

--A Study of the "Need Gap"--

EXECUTIVE SUMMARY

This study of unmet student financial need is one of the most comprehensive conducted by any state. Aided by experienced consultants, the Washington Council for Postsecondary Education developed a master file of all individuals who applied for and/or received student financial aid in the State of Washington in 1982-83 and 1983-84. By matching College Scholarship Service applicant data with Council-collected recipient information, over 80,000 records were created for each year. Each record compared family and student resources plus student financial aid received from all sources to the cost of attendance at the respective colleges and universities. After excluding individuals with less than $200 in financial need and non-resident applicants who did not receive financial aid, the study found that in 1983-84, 68,020 students or applicants had unmet financial need of slightly over $200 million. Approximately $90 million of this total was associated with the 18,000 Washington residents with financial need who applied for, but did not receive, financial aid.

In computing unmet financial need, certain standard definitions and calculations were used.

> "Cost" is the sum of tuition and fees plus standard allowances for books and supplies, room and board, personal expenses and transportation. The allowances were based on budgets adopted by the Washington Financial Aid Association and varied based on student living arrangements and whether the student was married and/or had dependents. The 1983-84 cost of education for a single, resident, full time student living away from parents and attending a major public university was $5,838.

"Need" equals "Cost" minus "Total Expected Family Contribution" as calculated by the College Scholarship Service in accordance with the uniform methodology system of needs analysis. In the case of dependent students, family contribution includes a proportion of parents income and assets as well as an expected student contribution including a proportion of assets and the full value of available benefits (e.g., veterans benefits, public assistance, etc.). For independent students, both their own and their spouse's (if applicable) income and assets are applied against the cost of education.

"Unmet Need," the focus of this study, is the difference between "Need" and the total amount of assistance received by the student through federal, state and institutional financial aid programs, privately funded scholarships and non-subsidized student employment, both on- and off-campus.

Because the findings of the study could have a bearing on state policy and budgetary decisions, the analysis focused on those student categories for which there was complete and reliable data and which were of policy significance. Ultimately, greatest attention was directed to the "core group" of full-time resident undergraduate students with unmet need who had completed the school year at the same institution. A parallel analysis was also conducted covering full time resident undergraduates who did not complete the full school year at the same institution.

There were 20,768 students in the core group in 1983-84 who had an annual per student average unmet need of approximately $2,500. Analysis of the core group data yielded several findings, including:

1. Unmet need represents a large and growing gap between costs and resources for an increasing number of postsecondary students in Washington.

2. Unmet need is by no means spread uniformly among students. For some students the gap is so large that it can be logically surmised to be a deterrent to timely completion of programs, the ability to stay in school, or to return if discontinuance is necessary.

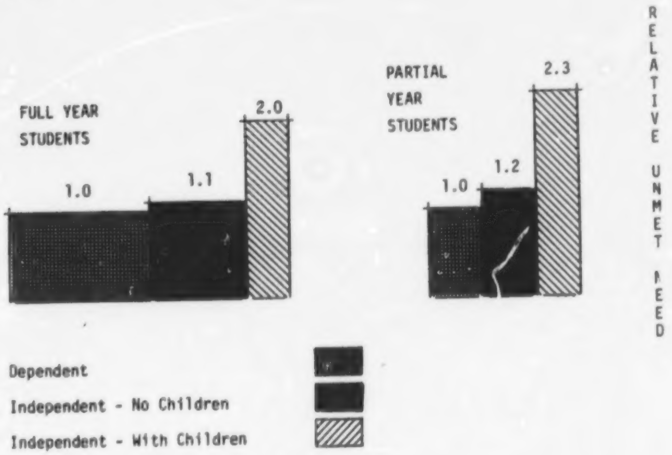
3. The notable variance in background characteristics of students according to differing levels of unmet need suggest that targeting of ameliorative strategies could effectively offset the worst effects of unmet need. This study went far in identifying the types of students who seem to be impacted most severely.

In regard to the latter finding, a special analysis of core group students with extremely high unmet need produced a profile that suggests that such a typical student is likely to be a female, older than 24, enrolled in a community college, an independent student, have a low family income and receive little or no parental support. In addition, as the review of the core group by dependency status suggests, the typical student with high unmet need also has at least one dependent child.

The analysis of students with high unmet need provided an insight into why community colleges, along with independent colleges and universities, had the greatest amounts of unmet need. In the case of the latter institutions, which receive no direct state support, the high cost of attendance (over $10,000) and the resource constraints and maximum limits of financial aid programs are the main reasons for high unmet need. In the much lower cost community colleges, the substantially greater numbers of older students with dependent children, coupled with lower financial aid availability, appears to be the main reason.

An analysis by dependency status was also made which divided both the core group and the partial year students into three categories: dependent, independent with no children, and independent students with children. Although the latter group represented only 16 percent of the core group, the unmet need of those students was nearly double the average of the other two groups. Tables VIII through XIII and the tables in Appendix Two of the report provide a full range of characteristics of the respective groups. While the three dependency status groups were distributed proportionately among ethnic categories, the independent students with children were more than twice as likely to be female than male and were nearly five times as likely to be older than 24 years of age. About 60 percent of all such students were enrolled in community colleges.

The following chart illustrates the relative unmet need of the three groups for both the core group (full year students) and partial year students. The unmet need of dependent students is equalized to 1.0. The horizontal dimensions of the chart indicate the relative size of the three groups.



The analysis of the students who did not complete the school year not only indicated a higher unmet need for independent students with children but also that these students had the lowest persistence of any of the groups studied. Only 55 percent of aided undergraduates with children completed the year compared with 65 percent of other independent students and nearly 75 percent of dependent students.

Overall, the partial year group had a somewhat higher level of unmet need, was older and consisted of a higher proportion of females, minorities, and community college students than the core group. This analysis indicates that consideration of special targeting strategies to address the "stop-out" or "drop-out" phenomenon is warranted.

While the study yielded many highly significant findings, it also raised many questions and revealed additional avenues for further, perhaps even more significant, research which should be conducted in the future.

-- In the case of residents who applied for aid but for whom no aid was reported. Who are they? Why did they not receive aid? Were they prevented from even enrolling in a Washington college or university because of an extensive unmet need gap?

-- For those students who only attended part of an academic year, was their unmet need the main reason for their inability to complete the full year? For how many, and what kinds of students, was this true? To what extent were academic and personal factors involved?

-- In the case of students who completed the year, what strategies did they use to cope with unmet need? Did they receive additional support from families? What elements of cost were cut? What effect, if any, did the degree of unmet need have on choice of academic field or ability to continue in future years?

-- Longitudinal analysis is needed, and should be possible in the future, to address questions of "down-shift" to lower priced schools related to unmet need and variations of unmet need over time.

The study concludes: *It would be tempting to reach specific conclusions solely on the basis of this review. However, all of those involved in this study are aware that further follow-up analysis is needed to determine the extent to which the provision of adequate student aid would affect an apparent heavy stop- or drop-out pattern among certain groups of students. Of immediate concern are individuals with dependent children, primarily older female students. The study clearly demonstrates that special needs exist in this area and that none of the existing student financial aid programs makes special provision for the unique needs of this group.*

1. BACKGROUND AND NEED FOR THE STUDY

The Western Region of the United States has generally subscribed to the tradition that while both society and the individual benefit from higher education, society is the principal beneficiary. A corollary of this tradition is that society benefits by governmental efforts to provide residents of the state with access to a reasonable choice of higher education institutions, and the means to achieve their educational goals. The State of Washington has supported this tradition by two principal means: (1) It has provided many types of low-tuition publicly supported institutions of higher education in various regions of the state, and (2) the state has developed student financial aid programs which have the general purpose of assisting "...needy and disadvantaged Washington residents in obtaining a postsecondary education...."[1]

The philosophical premise of state-supported student financial aid in Washington is as follows: "While the cost burden of a student's postsecondary education is primarily a parental or personal responsibility, no Washington resident should be denied access to a postsecondary education because of financial inability to sustain the cost of obtaining such an education."[2] Furthermore, freedom of choice of college has been maintained by making grants, loans and work opportunities available for students to attend a wide range of postsecondary institutions in Washington, including two- and four-year public colleges and universities, independent colleges and universities, public vocational-technical institutes and many proprietary schools in the state.

In student financial aid, the State of Washington is in a partnership relation to the federal government and also to private and institutionally-funded sources. The role of the last of these sources has been relatively minor. Over recent years and for the short-term future, private and institutionally-funded student aid comprises one-fifteenth of the grand total of student financial aid provided in the State of Washington.[3]

The federal government has been the dominant partner in providing student aid since the early 1970's. As is true for the entire country, federal student aid comprises well over 80% of the total available in Washington.[4] Of the various federal programs, the Guaranteed Student Loan (GSL) program has grown in recent years to become the largest. At present, the GSL program provides slightly over half of the total dollars awarded in Washington. The various campus-based federal programs provide another one-fifth and the Pell Grant program has held steady at about 15% of the total.[5]

The role of state-funded student aid programs administered by the Council for Postsecondary Education, while comprising a minority of the total dollars, should not be underestimated. These programs are flexible and are aimed specifically at the needs of Washington residents. For example, the Washington State Work Study program responds specifically to the needs of both Washington students and their employers. Furthermore, as the federally funded College Work Study program has declined in funding based on real (inflation adjusted) dollars, the State Work Study program has grown to fill the breach. In 1975-76, the second year of operation of the state's program, the ratio of federal work study dollars to state dollars was 9 to 1.[6] The federal program has grown less than 10% in the last six years, and thus has lost considerable ground to inflation over this period. The state program has grown to meet the relative decline in federal dollars and during the current academic year has a ratio of about one-third of the total work study dollars in the State of Washington.[7]

The state grant program has also expanded since the early 1970's to help meet the needs of Washington residents. This expansion has helped to compensate for the overall decline in federal student aid, especially since 1980. The American Council on Education recently pointed out that the decline in constant (inflation adjusted) dollars in federal aid between 1980 and 1984 amounted to an average of 19% over all programs.[8] Thus, there has been a considerable loss in "buying power" of the federal aid that has only partly been offset by the growth in Washington state programs. Furthermore, tuition in both the public and independent colleges and universities in Washington has increased very rapidly as have other costs to students such as books and supplies, room and board, transportation and other expenses. These two factors (decreased real dollar federal financial aid and increased costs) have resulted in a substantial increase in what might be called the "need gap" in which students have been provided with relatively fewer dollars to meet the escalating costs of their college education.

Maintaining Access for Low-Income Students. Low-income students, many of whom are racial or ethnic minorities, have always been the target groups of most of the government financial aid programs which have been initiated at the state and federal level. This is evidenced by the fact that almost all of the dollars provided have been need-based; that is, financial aid has been provided to make up the difference between the financial resources of the student and his or her family and the costs of education at the college of choice. While it is very clear that access has been greatly improved for low-income students over the past fifteen years, it is also quite clear that the job is far from finished. All things being equal (for example, academic ability and motivation) students from the lowest-income families have still been participating at a lower rate than those from middle and upper-income families.

On the national scene, almost one-fourth of all white youth graduate from college. While the graduation rate for students of Asian background is near that of whites, it is only about one-half that rate for Black youth and for other minorities it is only half the rate for Blacks (7% for Hispanics and 6% for American/Alaskan Natives)![9] The continuing, relatively low college-going rate is a matter of special interest in the State of Washington because census and other demographic data indicate that racial and ethnic minorities comprise the fastest-growing segment of future college age cohorts in the state.

In Washington, students from upper and middle-income families have participated at a high rate in postsecondary education. It is assumed that state government will continue to be interested in pursuing policies that will maintain these rates and will also "level-up" the participation rates of low-income groups. The fairly rapid rises in tuition and other costs to students will hamper low-income student participation rates in

Washington. The "other costs" of out-of-pocket expenditure and foregone income impact low-income youth more than others. It is most unlikely that massive loans (the fastest-growing type of financial aid at the federal level) will be a satisfactory solution.

The costs of education in Washington's institutions have risen rapidly and increased tuition and fees are in response to such cost increases. In addition, the share of costs borne by students has increased in the public institutions. For a balanced perspective, however, the concept of cost of education to the student should be kept in mind as one considers the growing gap of unmet need. Tuition and required fees are only one aspect of costs to students. The student also has out-of-pocket costs including room and board (or continued support by the family if the student continues to live at home), books and supplies, work or school related travel and other living costs. Only in rare instances would all of these costs be covered by grants or scholarships. Most students meet a good share, or even most, of these costs from their own resources (family, savings, and work), or by loans, with payments beginning very soon after graduation or discontinuance for any reason. Finally, foregone income must be considered. For students from low-income families, this is a major consideration. Often such families must strongly rely on income that can be earned immediately after the student's graduation from high school. To forego four or more year's earnings in such instances is not a trivial matter.

The Need to Study Aggregate Unmet Needs - Recent studies have shown that nationally slightly over half of all students graduating from college received some form of student financial assistance.[10] This statistic is not necessarily a logical basis for complacency, however. The drop-out rate continues high in all sectors of postsecondary education, and there is very little research on students who are discouraged from even enrolling in an institution of their choice because of their personal unmet need gap. Furthermore, it can be assumed that the relative inadequacy of sufficient student financial aid has restricted freedom of choice of college, especially for low-income students. Many such students are diverted to the lower-cost colleges such as the public community colleges because of the unmet need gap. But how many? And how many are prevented from participating in higher education at all? And, how many are forced to drop out temporarily or even permanently discontinue progress toward a degree? Studies to answer these questions are difficult, time-consuming and expensive.

Need can be defined as the difference between a student's cost of attendance and the amount that the family and/or student can contribute toward the educational cost. Unmet need is the amount that remains after the family contribution and all aid resources are subtracted from the academic year college cost budget. It is logical to assume that unmet need has differential impacts on students according to their individual financial circumstances. For example, different levels of financial need can be identified within the aid recipient population. Examining the impact of increases in unmet need for high-need students can provide information concerning the possible effect on access and retention for aid recipients. Students who have relatively low financial need often have the availability of assistance through loans and employment to resolve their modest financial needs and allow them to pursue their education. Students who have moderate to high financial need levels may well choose not to attend or to leave the institution because their needs so far out-reach their resources. Currently, moderate to high-need students who are borrowing to the maximum program limits and working the maximum number of hours have no further options for resources to meet their increased unmet need gap. It becomes important to evaluate closely these moderate to high-need students as any increase in unmet need, even one of a minimal nature, could shift them out of the population able to meet their educational expenses with available aid.

While it is appropriate to focus on the problems of the low-income, high-need student, it should be emphasized that the growing unmet need gap affects a wide range of students. Institutional aid officers try their best to shift discretionary funds to students with the highest demonstrated need. However, these ameliorative strategies, in turn, create other problems when federal and state funds are shifted to meet the increased unmet need gap of the high-need student since this can eliminate funding formerly available to the lower-need (for example, low-middle income) students. Most typically, these lower-need students are dependent and come from families with moderate incomes. With the combination of the reduced availability of student aid funds and higher costs of attendance, it becomes evident that the impact of unmet need on students can affect a very wide population. In the near term future, no substantial increases are foreseen in federal programs. It is therefore likely that funding will be available to a smaller number of students because those who are determined to be eligible and have high need levels will require a larger percentage of the total funds than in the past.

Rationale for the Study - Unmet need may affect student enrollment and persistence decisions in several ways. A packaged student aid offer containing insufficient funds may discourage high school graduates from ever enrolling. The older prospective student may also be discouraged from beginning or returning to postsecondary education. Less dramatically, an inadequate student aid offer may cause students to change their institutional destination from first choice institutions to a less costly, but less desired alternative. Unmet need may also cause enrolled students to drop out, or to take on levels of outside employment and loans that seriously hamper their chances for an academically productive and well-balanced college career. The quest for limited funds results in many forms of student aid being fully allocated (and usually over-allocated) many months before the school year starts, requiring total reliance on entitlement programs which fall far short of meeting needs. Thus, the question of unmet need is significant, indeed, it is becoming a central concern for postsecondary policy in the current era of state and federal fiscal constraints.

The staff of the Council for Postsecondary Education (CPE) conducted a preliminary study of unmet need in the State of Washington during the 1983-84 academic year.[11] They found that the constraints in recent years on federal appropriations for student aid have not been sufficiently offset by increases in state-funded programs. Even though total state expenditures for student aid doubled from $7.5 million in 1979-80 to $15.8 million in 1982-83, Washington still provided only about half the national average in aid appropriations per full-time student in the latter year.[12] The Council staff noted that minority student enrollment in Washington had decreased in recent years and that there had been a dramatic increase in both number of total aid applicants with need and in total dollars of financial need (for example, the calculated amount of total financial need of aid applicants increased 14% from 1982-83 to 1983-84). The study noted that research follow-up was needed, particularly to identify the financial components of the unmet need gap, to identify the categories of applicants/recipients who have large unmet need and to identify the differential impacts of unmet need on the entire population of aid recipients in the State of Washington. In the latter part of 1984, the Council authorized a research project to address the issues raised in the preliminary study and their relationship to state policy issues. This paper reports the results of that research.

2. METHODOLOGY

Unmet need is simply the shortfall in available aid, that is, the difference between total student financial need as calculated by a standard need analysis formula and the total aid awarded. The generally accepted definition of need is the difference between the cost of the college of choice* and the financial contributions of the student and his or her family. A small minority of aid applicants have been awarded enough aid to meet their calculated need, but in the aggregate unmet need has always existed because there has never been sufficient funding to eliminate financial barriers to college access for all who wish to attend. One reason for the insufficiency of funding has been that increases in availability of student aid have evidently provided access to many students who otherwise would not have considered attending because of lack of finances. However, more recently, student aid appropriations by the federal government (the major partner in providing funds) have failed to keep pace with the expectations the programs helped create. As indicated in Chapter One, increases in Washington State funding have substantially offset the decline in federal student support. Nonetheless, significant rises in overall costs to students to attend college have combined with student aid funding stringencies to increase the unmet need gap.

It is unlikely that the need gap will be eliminated in the near term; the state's finances are simply not sufficient to achieve such a goal. Neither is there likely to be a move toward eliminating state-financed student aid, especially in the present climate of declining federal support for student aid and proposed reductions in expenditures for this purpose. Student aid is an ongoing element of higher education, and at the state level, is likely to grow. However, the unmet need gap will also be a continuing phenomenon. The findings and conclusions of this study suggest that unmet need impacts certain categories of students much more than others. Consequently, increased "targeting" of aid would seem to be called for. Studies such as this can provide a factual basis for improving the effectiveness of Washington state student aid and alleviating the harshest effects of high levels of unmet need for many students.

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* For the purpose of this study, unmet need for those actually attending was calculated using the cost of the college attended.

Research Design.

This study had the very considerable advantage of utilizing large data bases. This advantage provides (a) reliability of the findings, (b) the potential for a disaggregative approach, and (c) presentation of cross-analyzed distributions, rather than reliance on summary statistics. The disaggregative approach is particularly advantageous in targeting certain subgroups and categories of students who exhibit different levels of unmet need.

The success of the research depended most heavily on the quality of its indicators of Total Costs, Student Resources, Parental Contribution, Student Aid, Need and Unmet Need. The researchers constructed uniform indicators of Costs and Resources instead of relying solely on the Financial Aid Form Needs Analysis Report (FAFNAR) data which are subject to institutional variation. The following formulas were used:

I. Need = Total Costs - Student Resources - Parental Contribution
II. Unmet Need = Total Costs - Student Resources - Parental Contribution - Total Student Aid

(See the Technical Note appended to this report for detailed description of each of the indicators used in the above formulas.)

Data Bases.

This study utilized a special working student record file hereinafter designated as the Master Analysis File (MAF), that contained all necessary and relevant data for analysis. This section describes the content and development of the MAF, along with certain related topics.

The procedure for creating the data analyses for the 1982-83 and 1983-84 cohorts consisted of three major steps:

Step 1: Merging Key Data Sources into the MAF - Students who received aid during the fiscal year (e.g. 1982-83) for attendance at a Washington postsecondary institution (and were thus included on the Council's Unit Record Report (URR)) and/or whose completed aid form indicating a Washington institution which was processed by the College Scholarship Service were included in the MAF. This resulting population comprises the known aid recipients and needy applicants in the state.

Step 2: Ensuring Discrete Student Records within the MAF - Student records of the URR and CSS files were matched by student social security number (SSN). The record created contained all the necessary information for conducting the analysis of unmet need. See the Technical Note for a copy of the record layout. For those student records for which there was no match, the data to fill the newly created student record came from either the URR or CSS information. Conceptually, three groups were represented in the MAF: (a) Those students with a match of URR and CSS data, (b) students with only URR data, and (c) students with only CSS data. An indicator was included in the record which identified which one of the three groups each individual belonged to. Prior to analysis, the URR file was checked for exact duplicate records. Where any existed, one of the student records was deleted.

Step 3: Manipulating MAF Data to Create Specified Reports - The reports used in the project were created by manipulating the MAF using SAS programming language prepared by Council staff to produce reports as specified by the study team.

Data Analysis.

Distribution of unmet need was calculated as follows. The amount of unmet need for each student record as described above was computed for the total student record population and various subgroups of that population as described in Chapter 3. The calculated amount of unmet need for each student record was the unit of analysis for this study, and is analogous to the dependent variable in an experimental type of study. Therefore, it was important to divide this distribution into the optimum set of categories that enabled useful analyses by background and financial variables. A trial run was made of the cross tabulations to determine whether or not the initial set of categories was optimal for the actual distribution of the unmet need variable for the MAF. The initial distribution was modified after projecting its utility for further analyses and the following distribution was used for most of the analyses described in the following chapter: 0 - $1000, $1001 - $2000, $2001 - 3000, $3001 - $4000, $4001 - $5000, $5001 - $7500, more than $7500.

The analytical strategy used was disaggregation. As detailed in the following chapter, gross univariate distributions were created including the largest number of appropriate student records in the MAF. Then cross-analyses were employed to determine the effect of background (independent) and circumstantial variables on the distribution of unmet needs. The univariate distributions are described where they are presented in the following chapter.

The following list of cross-analysis variables were comprised of categories as indicated:

1. Type of Aid (Grant, Loan, Work)
2. Source of Aid (Federal, State, Institution, Other)
3. Type of College (according to standard format of CPE)
4. Year in School (Freshman, Sophomore, Junior, Senior, Unclassified, Graduate/Professional)
5. Dependency Status (Dependent, Independent)
6. Age (standard age brackets were used)
7. Sex (Male, Female, Other)
8. Race (standard CSS/URR definitions were used)
9. Family income (standard URR categories of adjusted gross incomes were used)
10. CSS filing date (two-fold categories of earliness or lateness in applying were used)
11. Family Contributions (standard brackets of family contributions were used)

The original study design did not call for any additional analyses beyond the cross-analysis review of the various student categories. However, as the analysis proceeded, it became of special interest to develop a "profile" of the "high unmet need" student. In particular, it was of interest to determine whether certain classes or definable subgroups of students were typified by high levels of unmet needs. Additional data runs were therefore made to explore this question.

3. THE FINDINGS

The Master Analysis File developed for this study contained 81,233 student records for 1982-83 and 85,726 for 1983-84. Results are reported in this study for the 73,373 individuals in 1982-83 and the 76,462 applicants or students the following year whose financial need was above the $200 threshold.

The total amount of unmet need aggregated across all student records in the Master Analysis File and based on data in that file was $266,390,000 in 1982-83 and $277,645,000 in 1983-84. As Table I indicates, when the unmet need of non-aided non-residents is excluded and when adjustments are made for unreported Guaranteed Student Loans and in calculations for partial year students, remaining unmet need totals $195,150,000 in 1982-83 and $201,807,000 in 1983-84. Large as these figures are, the total dollar amount probably understates the actual total because the information necessary to determine precise unmet need for many of the various types of students is unavailable, incomplete or involves conjecture. In addition the unmet need in this study applies only to those who were known applicants and/or recipients of student financial aid.

Because the findings of this study may form the basis for state policy and budgetary decisions, the researchers chose to focus primary analyses on those student categories for which there is complete and reliable data and which are of policy significance. As will be shown, the students in these categories have aggregate amounts of unmet need that are large. But the extent of unmet need was not the criterion for detailed analysis, rather, the criterion was the reliability and policy significance of information for resident, full-time undergraduate students with unmet need who attended the same institution for the full school year. These students comprise about one-fourth of the total on the MAF. This means that this group is not to be necessarily construed as necessarily representative of the total group; they are not a random sample of the larger group, simply a segment which is of policy importance and where minimal conjecture on unmet need calculations exist. Therefore, allocation patterns of student aid and unmet need distributions should not be assumed to be reflective of the entire group of aided students.

To reach this group of students, several decisions were required:

First, the decision was made to arbitrarily exclude all students who were calculated to have less than $200 of need from the analysis on the grounds that this amount, while certainly not trivial to many students, is not an insurmountable problem for almost all students. Thus, while these student's records were included in the MAF, they were not part of this analysis. This decision allowed the researchers to reduce the costs associated with computer analysis and concentrate on a presumed "at risk" population.

Second, students included on the MAF because they were originally part of the CSS file, but who were non-residents and not recorded as having received aid at a Washington postsecondary educational institution, are on the MAF but not included in the analysis. These prospective students, while indicating an interest in a Washington institution, do not represent a policy significant group in a study of unmet need.

Third, the approximately 20,000 Washington residents applying for aid but for whom no aid was reported are of policy significance. However, further research is needed on the extent that lack of student aid prevented prospective students from attending; the extent to which some financial aid (most likely Guaranteed Loans) was received and not reported; or the extent to which these individuals attended school out state. Until this is done, considerable elements of conjecture on the extent of unmet need exist. Once a representative core of non-aided students can be established, however, profitable in-depth analysis can be conducted.

Fourth, all non-residents receiving aid were excluded since there may be a question as to the appropriateness of their unmet need being a problem for the State of Washington. However, their unmet need and the financial aid they received is included in the aggregate study.

Fifth, the proprietary and vocational-technical institute (VTI) sectors were excluded because of both under-reporting and substantially different rates of reporting by these institutions in the two years covered by this study.

Sixth, those students for whom no or negative unmet need was shown were excluded because of probable revisions to financial circumstances subsequent to initial filing of FAF information and since the intent of this study is to examine unmet need and not need which has been met.

Seventh, all non-undergraduate students (unclassified, graduate/professional) were excluded from the opening discussion because of (a) their ineligibility for many forms of aid; (b) the unknown extent of interaction with graduate assistantships; and (c) questions of self-exclusion suggested by the small number of students (under 2,000) in the category.

Eighth, only full-time students were included in the initial discussion on the philosophical premise that the marked demographic differences and financial situations of part-time students render them somewhat incomparable with full-time students for analysis purposes. In addition, a major question exists as to the extent student financial aid should be responsible for assisting with the non-direct costs of attendance for part-time students. Of further concern is the extent to which they were "part" time for purposes of accurate cost calculation. Therefore, while this group of resident undergraduate students is of policy significance, too many questions exist to include them in the area of in-depth analysis.

Finally, the large number of students (approximately one-eighth of the total MAF records) who did not receive aid for the full academic year at the same Washington institution were treated as a separate subset in the discussion because of difficulties of accurately estimating unmet need based on costs incurred at different colleges during differing terms (semesters versus quarters). Findings for these students will be discussed later in some detail because of important policy implications.

Having "peeled off" layers of student records comprising more than three-fourths of the total MAF, the core group that remains will now be described and their unmet need will be analyzed. This group of students (hereinafter denoted the "core group" for purposes of brevity) are those who were full-time, Washington resident undergraduates at the same

TABLE I. Levels of Unmet Need: Master Analysis File to Core Group, 1982-83 and 1983-84.

	1982-83		1983-84	
	# Students	Unmet Need	# Students	Unmet Need
Master Analysis File - All Students With Greater Than $200 Financial Need	73,373	$266,390,000	76,462	$277,645,000
Non-WA Residents - Not Aided	6,642	$ 43,169,000	6,383	$ 44,245,000
WA Residents Reported As Not Aided but with GSL's *	1,916	$ 5,147,000	2,059	$ 5,505,000
Adjustment in Calculation of Need for Part-Year Students	--	$ 23,924,000	--	$ 26,088,000
Adjusted Total	64,815	$194,150,000	68,020	$201,807,000
WA Residents - Not Aided	17,397	$ 80,126,000	18,314	$ 90,069,000
(Subtotal)	(47,418)	($114,024,000)	(49,706)	($111,738,000)
Vocational-Technical Institutes/Proprietary	2,620	$ 13,449,000	1,810	$ 8,164,000
(Subtotal)	(44,798)	($100,575,000)	(47,896)	($103,574,000)
Aided Students Without Unmet Need	6,996	-0-	7,900	-0-
(Subtotal)	(37,802)	($100,575,000)	(39,996)	($103,574,000)
Non-WA Resident Aided Students	5,808	$ 25,108,000	4,307	$ 17,221,000
(Subtotal)	(31,994)	($ 75,467,000)	(35,689)	($ 86,353,000)
Unclassified, Graduate and Professional Students	1,177	$ 4,133,000	1,617	$ 5,304,000
(Subtotal)	(30,817)	($ 71,334,000)	(34,072)	($ 81,049,000)
Part-Time Students	2,894	$ 11,933,000	3,041	$ 13,449,000
(Subtotal - Full Time Resident Undergraduates)	(27,923)	($ 59,401,000)	(31,031)	($ 67,600,000)
Part-Year Students**	9,402	$ 13,908,000	10,263	$ 14,757,000
Core Group - Full-Year Students	18,487	$ 45,493,000	20,768	$ 52,843,000

* Supplementary WSLGA report indicates 1,916 students in 1982-83 received $5,147,000 in loans and 2,059 students received $5,505,000 in 1983-84. Amount of these loans not included in MAF.

**Analysis of "part-year" students reduces unmet need from $37,832,000 to $13,908,000 in 1982-83 and from $40,845,000 to $14,757,000 in 1983-84. See page 35 for discussion.

non-proprietary/VTI institutions during the entire academic year, with unmet need and who received financial aid. The structure of the entire MAF is indicated in Table I in which the number and total of unmet need of each of the groups described above is disaggregated sequentially from the grand total. The core group is shown in the outlined bottom segment.

This core group (one-fourth of the total analysis group) for whom full and reliable data were available may be likened to representing the "tip of the iceberg" in unmet need in the State of Washington in 1982-83 and 1983-84. This is an especially appropriate analogy when one considers that data on the unmet need of the remaining three-fourths of the MAF tends to be underestimated.

The Core Group: Full-time resident undergraduate students attending full year but with unmet need

In most respects, this group can be regarded as quite representative of any large population of undergraduates enrolled in different types of publicly-supported and independent institutions. In 1982-83 the core group numbered 18,487; the following year the count was 20,768. About two-thirds of both year's core group was lower division (freshman and sophomore), and the ratio of females to males ran about 55% to 45%. About three-fourths were Caucasian; the next largest ethnic group was "Asian/Pacific Island" which comprised just under 9% in both years. There were smaller percentages of Blacks, Hispanics, and American/Alaskan Natives in that order. Approximately half were in the youngest age bracket (under 22 years) in both years, one-fourth were in the next older age bracket (22-24), and nearly all the rest were between 24 and 34 years of age.

The average unmet need in 1982-83 was $2,460; the following year the average was $2,544. A major focus of interest for state planners and decision-makers is the distribution of unmet need by sector or type of college. These distributions are shown in Table II.

TABLE II. Distribution of Unmet Need by Sector, 1982-83 and 1983-84

1982-83 Unmet Need

Sector	$1000 - Under		$1001 - 2000		$2001 - 3000		$3001 - 4000		$4001 - 5000		$5001 - 7500		Above 7500		ALL		AVERAGE
	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	
Doctoral	745	1324	2,056	1422	1,854	746	1,308	384	627	143	393	66	436	42	7,418	4127	$1797
Regional	675	1100	2,285	1519	1,860	770	1,269	366	615	138	859	145	386	38	7,949	4076	1950
Independent	268	508	1,082	717	1,828	732	1,959	562	2,041	457	2,496	423	1,151	129	10,825	3528	3068
Comm. Coll.	725	1332	2,300	1542	3,540	1432	3,380	982	2,112	475	3,773	611	3,471	382	19,302	6756	2857
All Schools	2,413	4264	7,723	5200	9,082	3680	7,915	2294	5,395	1213	7,520	1245	5,444	591	45,493	18487	2460

1983-84 Unmet Need

Sector	$1000 - Under		$1001 - 2000		$2001 - 3000		$3001 - 4000		$4001 - 5000		$5001 - 7500		Above 7500		ALL		AVERAGE
	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	
Doctoral	701	1252	2,035	1397	2,142	879	1,719	506	975	221	766	125	348	39	8,686	4419	$1965
Regional	412	767	2,607	1683	2,822	1159	1,637	478	1,046	235	1,330	223	646	72	10,500	4617	2274
Independent	380	732	1,380	931	1,997	804	2,169	627	1,775	398	2,393	401	953	101	11,046	3994	2765
Comm. Coll.	821	1477	2,636	1756	4,170	1671	3,807	1115	2,583	586	3,989	642	4,604	491	22,610	7738	2925
All Schools	2,314	4228	8,658	5767	11,131	4513	9,332	2726	6,379	1440	8,477	1391	6,552	703	52,843	20768	2544

* N = number of students

99.

As might be expected, the average unmet need is high for the independent sector. In these relatively high-cost colleges, the level of aid awarded is also high, but the unmet need gap remains large. It is interesting to note that the average unmet need declined for core group students in the independent sector from 1982-83, but this was mainly due to the significant increase in the reported average aid awarded between these two years (from $4,336 to $5,422). The other sectors increased their average aid for this group of students as follows between 1982-83 and 1983-84: (a) doctoral sector from $3,326 to $3,456; (b) regional institutions from $3,054 to $3,093; and (c) community colleges from $2,024 to $2,239. A further review of data for the independent sector indicates that when all student aid recipients are included, there was a slight increase in unmet need in that sector.

The most remarkable aspect of the distribution of unmet need among the sectors is the high average for the relatively low cost community colleges. As will be shown in the later analysis which profiles high-unmet need students, community colleges have a disproportionately large number of such students. In general, a substantial number of community college students differ from those in the other sectors in characteristics that are directly related to high unmet need.

The distribution of unmet need in the core group by age and sex delineates two clear patterns. As shown in Table III, females had higher average unmet need than males in all six age categories in 1982-83, and in four of the six age categories in 1983-84. Because of the preponderance of females in the core group and their higher average unmet need, a significantly greater total of unmet need for females is recorded in both years: In 1982-83, the total unmet need was $25,157,000 for females compared with $20,326,000 for males; in the following year these figures were $28,324,000 and $24,509,000 respectively.

The second pattern shows that there is a definite tendency for average unmet need to increase by age category. For both males and females in both years, there is a monotonic increase by age up to the oldest (older than 39) category. For both sexes in 1982-83, and for females in 1983-84, there is a decrease from the second oldest to the oldest category. As indicated earlier, most of the core group students

TABLE III. Unmet Need by Sex and Age, 1982-83 and 1983-84

1982-83

	Male			Female		
Age	$(000)	# Students	Average $	$(000)	# Students	Average $
< 22	$ 9,274	4,282	$2,166	$10,876	4,995	$2,177
22 - 24	4,918	2,254	2,181	4,479	1,929	2,321
25 - 29	3,345	1,306	2,561	4,066	1,284	3,166
30 - 34	1,488	504	2,944	2,789	774	3,603
35 - 39	696	210	3,314	1,731	409	4,232
> 39	610	194	3,144	1,217	342	3,558
TOTAL	$20,327	8,750	2,323	$25,157	9,733	2,585

1983-84

	Male			Female		
Age	$(000)	# Students	Average $	$(000)	# Students	Average $
< 22	$10,293	4,695	$2,192	$12,319	5,663	$2,175
22 - 24	5,973	2,558	2,335	5,184	2,088	2,482
25 - 29	4,009	1,491	2,689	4,152	1,356	3,061
30 - 34	1,967	601	3,272	3,217	865	3,719
35 - 39	912	253	3,604	1,640	412	3,980
> 39	1,355	320	4,234	1,811	463	3,911
TOTAL	$24,509	9,918	2,471	$28,324	10,847	2,611

TABLE IV. Unmet Need by Year in School and Ethnicity, 1982-83 and 1983-84

YEAR	1982-83			1983-84		
	$(000)	# Students	Average $	$(000)	# Students	Average $
Freshman	14,159	5,279	2,682	16,351	6,161	2,653
Sophomore	16,538	6,497	2,545	19,237	7,290	2,638
Junior	6,841	3,080	2,221	7,912	3,359	2,355
Senior	7,467	3,394	2,200	8,737	3,774	2,315
ETHNICITY						
Black	2,207	860	2,565	2,794	945	2,956
American/ Alaskan Nat.	1,251	433	2,889	1,638	519	3,156
Asian/Pac.	3,822	1,591	2,402	4,333	1,818	2,383
Hispanic	1,185	507	2,337	1,536	591	2,598
Caucasian	33,365	13,566	2,459	38,670	15,359	2,518
Not Ind.	3,664	1,530	2,394	3,844	1,534	2,505

are underclassmen and younger than age 24, thus the average increases are offset by declines in number of students in the older age brackets. In the case of females, however, the proportion over 30 is almost half again greater than for men (15.6 to 10.4% in 1982-83 and 16.0 to 11.8% in 1983-84). It is in these categories where unmet need is greatest; probably due to the presence of dependent children.

Table IV shows unmet need by year in school and by ethnicity. The year in school data show a dichotomy. Lower division students in both years had a substantially higher average unmet need than juniors and seniors. The figures were quite similar within upper and lower-class divisions for both years. The major reason is the higher levels of borrowing common to upper division students.

As illustrated in Table IV, there was considerable variation in the level of unmet need among ethnic groups. In both years, the American/Alaskan Native students recorded a substantially higher level of unmet need compared with all other ethnic groups. There was, as is true for almost all cross-classifications in this study, an increase in average unmet need from 1982-83 to 1983-84. Besides American/Alaskan Natives, Black students also experienced a relatively high increase in unmet need.

The final data set shown for the core group in this analysis is displayed in Table V. It is of interest to note the changes in both source and types of student aid between 1982-83 and 1983-84. Both the federal and state sources increased their totals over the two-year span. The total from Guaranteed Student Loans also increased very significantly, by about half. The total aid provided Washington students in this category increased substantially, from 55 million to nearly 69 million dollars, and resulted more from the growth in number of awards than from the modest increase in the average size of the awards. However, as is shown in the other analyses, the average unmet need remained high and also increased.

TABLE V. Sources and Types of Student Aid, 1982-83 and 1983-84

TYPE	SOURCES											
	Federal		State		Institutional		GSL		Other		Total	
1982-83	Total $ (000)	Avg $	Total $ (000)	Avg $	Total $ (000)	Avg $	Total $ (000)	Avg $	Total $ (000)	Avg $	Total $ (000)	Avg $
Grants	17,945	971	5,786	313	3,709	201	-0-	-0-	1,340	72	28,780	1,557
Work	5,187	281	2,060	111	2.776	150	-0-	-0-	-0-	-0-	10,023	542
Loan	6,102	330	-0-	-0-	-0-	-0-	10,244	554	-0-	-0-	16,346	884
TOTAL	29,234	1,582	7,846	424	6,485	351	10,244	554	1,340	72	55,149	2,983
1983-84												
Grants	21,488	1,035	7,316	352	5,438	262	-0-	-0-	2,346	113	36,587	1,762
Work	6,156	296	2,288	110	2,047	99	-0-	-0-	-0-	-0-	10,491	505
Loan	6,850	330	-0-	-0-	-0-	-0-	14,998	722	-0-	-0-	21,854	1,052
TOTAL	34,501	1,661	9,604	462	7,485	361	14,998	722	2,346	113	68,933	3,319

Disaggregation of the Core Group Data for Further Analysis

The preliminary analysis indicated that the most powerful variable for explaining differences in distribution of unmet need among students was status as an independent or a dependent student. To be specific, the 9,463 dependent students in 1982-83 had an average unmet need of $2,116 for a total of $20,028,000; in 1983-84 the average was $2,154 with a total of $23,199,000 for the 10,770 dependent students. In contrast, the 9,024 independent students in 1982-83 averaged $2,822 of unmet need and a total of $25,465,000; the following year the 9,998 independent students averaged $2,965 and had a total of $29,644,000. On the average, the unmet need of independent students was one-third greater than that of dependents in 1982-83 and 37 percent higher in 1983-84. This disparity is discussed in more detail later in this chapter.

Because of the strong reliance on parental income in calculation of family resources (typically a strong source of contribution for dependent students and absent for independent students), analysis of family income and family contribution distributions had to be disaggregated for meaningful analysis. Tables VI and VII show the distributions of family income and family contribution separately for dependent and independent students in 1982-83 and 1983-84.

The strong relationship between distribution of unmet need and dependency status is demonstrated in Tables VI and VII to have a joint interaction with both family income and family contribution. Table VI shows that while the unmet need of dependent students is distributed fairly evenly across the family income range, that of the independent student is concentrated at the lowest family income level -- well over 90% in both 1982-83 and 1983-84. This pattern, of course, reflects the fact that for the dependent student, family income means that of his or her parents. By definition, the independent student's family income is not that of his or her parents. Rather, it is the student's alone plus that of his or her spouse, if any. The result is (a) much higher levels of unmet need for independent students compared with dependent students (a difference of around $700 in 1982-83 and around $800 in 1983-84), and (b) concentration of nearly all of the independent student's family income below $6000.

TABLE VI. Distribution of Unmet Need by Family Income and Dependency Status, 1982-83 and 1983-84

1982-83

Family Income	Dependent $(000)	Dependent # Students	Dependent Average $	Independent $(000)	Independent # Students	Independent Average $
0 - $ 6,000	3,951	1,605	2,461	24,029	8,484	2,832
6,000 - 8,999	1,513	642	2,357	117	52	2,250
9,000 - 11,999	1,729	775	2,231	126	49	2,571
12,000 - 14,999	2,110	943	2,237	161	55	2,927
15,000 - 17,999	1,803	872	2,068	135	53	2,547
18,000 - 23,999	3,007	1,529	1,967	249	90	2,767
24,000 - 30,000	2,527	1,321	1,913	215	83	2,590
> 30,000	3,390	1,776	1,909	433	158	2,740
TOTAL	20,028	9,463	2,116	25,465	9,024	2,822

1983-84

Family Income	Dependent $(000)	Dependent # Students	Dependent Average $	Independent $(000)	Independent # Students	Independent Average $
0 - $ 6,000	5,251	2,086	2,517	27,771	9,319	2,980
6,000 - 8,999	2,040	806	2,534	193	62	3,113
9,000 - 11,999	2,193	908	2,415	217	75	2,893
12,000 - 14,999	2,228	998	2,232	162	65	2,492
15,000 - 17,999	2,020	953	2,119	171	54	3,167
18,000 - 23,999	3,469	1,744	1,989	334	126	2,651
24,000 - 30,000	2,635	1,386	1,902	290	115	2,522
> 30,000	3,362	1,891	1,778	506	182	2,780
TOTAL	23,199	10,770	2,154	29,644	9,998	2,965

TABLE VII. Distribution of Unmet Need by Family Contribution and Dependency Status, 1982-83 and 1983-84

1982-83

Family Contribution	Dependent $(000)	Dependent # Students	Dependent Average $	Independent $(000)	Independent # Students	Independent Average $
< Zero	6,024	2,470	2,439	-0-	-0-	-0-
Zero	890	241	3,693	10,180	2,890	3,522
1 - $ 99	507	257	1,973	2,496	1,115	2,239
100 - 499	2,162	1,071	2,019	1,856	762	2,436
500 - 999	2,890	1,492	1,937	2,433	863	2,816
1,000 - 1,499	2,191	1,111	1,972	1,040	384	2,708
1,500 - 1,999	1,481	802	1,847	1,000	384	2,604
2,000 - 2,999	2,049	1,062	1,929	1,742	728	2,399
3,000 - 3,999	918	455	2,018	1,980	743	2,649
> 3,999	916	502	1,825	2,759	1,161	2,378
TOTAL	20,028	9,463	2,116	25,465	9,024	2,822

1983-84

Family Contribution	Dependent $(000)	Dependent # Students	Dependent Average $	Independent $(000)	Independent # Students	Independent Average $
< Zero	7,956	3,115	2,554	-0-	-0-	-0-
Zero	1,046	312	3,352	12,521	3,462	3,617
1 - $ 99	553	254	2,177	2,778	1,116	2,487
100 - 499	2,477	1,187	2,087	2,225	841	2,646
500 - 999	3,201	1,548	2,068	3,167	940	3,368
1,000 - 1,499	2,436	1,229	1,980	1,136	434	2,617
1,500 - 1,999	1,605	867	1,851	1,068	417	2,561
2,000 - 2,999	2,026	1,140	1,777	1,585	610	2,598
3,000 - 3,999	976	541	1,730	1,415	540	2,620
> 3,999	965	577	1,672	3,753	1,638	2,291
TOTAL	23,199	10,770	2,154	29,644	9,998	2,965

104

With respect to family contribution, the interaction effect is still strong, but not as strong as for family income. Note in Table VII that, once again, levels of unmet need are considerably higher for independent students than for dependent students across the entire range of family contribution. Note further in Table VII that, in contrast to family income, the distribution of independent students is more uniform across the range of family contribution; there is still a clustering effect at the lowest range, but it is not nearly so pronounced. Comparing the distribution of dependent and independent students across the family contribution range, the former approximates more of a normal or bell-shaped curve above the lowest category in both years, while the distribution for independent students resembles an opposite curve in both years (elevated at both ends, depressed in the middle).

The "below zero" category in Table VII for dependent students is an artifact of the need analysis formulas; for the dependent student family resources can be so low that a negative contribution is quite possible. For the independent student, of course, the student is the family, so there is no transaction possible below zero since there is no "second party" involved. However, for the purpose of this study all negative family contributions were set to zero and this element has no effect on the unmet need calculations.

Analysis of Exceptionally High Unmet Need in the Core Group

The analytical approach used throughout this study was to display the distribution of unmet need according to categories of key variables such as age, ethnicity, family contribution and so forth. As the element of dependency and independency was explored it became of interest to apply a different perspective in the analysis of student characteristics. A special analysis was performed to delineate a "profile" of students with high levels of unmet need. In order to sketch this profile, all students with an unmet need of at least $4000 were separated from the core group, and the distributions of several key variables were determined. This analysis revealed that the profile of the high unmet need student was essentially similar for both 1982-83 and 1983-84. Therefore, the following description applies generally to both years.

The 6,583 high unmet need students (3,049 in 1982-83 and 3,534 in 1983-84) were not distributed equally across the institutional sectors. Nearly half (3,187) were in the community college sector. The others were distributed, in descending order, among the independent, regional and doctoral sectors. Just over two-thirds of these students were lower division, with the sophomore class being somewhat larger than the freshman class. The students with high unmet need did not differ markedly from the remainder of the core group in ethnicity, but were more predominantly female (58%), and definitely included a higher proportion of students over 25 (especially females). One-half (49.8%) of high unmet need students were 25 or older, compared with only one-fourth of the core group. But of all the variables used in developing this profile, dependency status was the most definitive. Nearly three-fourths (72.5%) of high unmet need students are independent, and the distribution of family income and contribution are consistent with their status as independent of the resources of their parents.

A summary delineation of the composite profile of the "typical" high unmet need student would suggest that she is older than 25, enrolled in a community college as a sophomore, and, as an independent student, has a low family income and receives little or no support from her parents. As will be suggested in the following analysis, it is also quite likely that she has at least one dependent child.

The above profile and other analyses of the influence of dependency status on distribution of unmet need in the core group suggested that the strong influence provided by dependency status could be enhanced by splitting the independent students into two categories. This dichotomization reflected the conviction that independent students were generally of two main types, (a) students emancipated from the parental family, usually older than the typical dependent student, but with no dependents of their own, and (b) students with the responsibility of dependent children. The latter group could be assumed to have heavy costs of child care, little prospect for additional income from employment because of the parenting responsibility, and a very substantial unmet need gap.

Two tests were made of this supposition, (a) the core group was divided into three categories: Dependent, independent with children, and independent with no children, and (b) a parallel analysis was performed for students who attended the same institution only part of the academic year. The results of the first of these analyses are discussed in the following section.

Analysis of the Core Group's Unmet Need by Dependency Status

The initial Table (No. VIII) in this section displays the remarkable power of dependency status in differentiating levels of unmet need.

Students who are in the independent status with at least one child are very sharply distinguished from the other two categories by both the average levels of unmet need and also by the distribution. The overall average for independent students with children is nearly double that for the dependent and independent with no children groups. Furthermore, while the latter two groups are concentrated at or near the lowest end of the distribution, independent students with children are skewed toward the higher ranges. The largest number for any category in both years for such students is in the $5000 - $7500 category; conversely, the smallest counts in both years (with the exception of one low category in 1983-84) are in the two lowest categories (below $2000).

It is of interest to the state's policy makers to determine the type of postsecondary institution in which the high-unmet need "Independent with children" students are enrolled. Table IX reveals strong variance in distribution of the three dependency status groups among Washington's postsecondary sectors.

The dependent students are distributed with remarkable uniformity among the four sectors, however, there is considerable variance in average levels of unmet need. As might be expected, those in the higher cost independent colleges have the highest level of unmet need in both years. Fewer of the "Independent with no children" students were in the independent colleges (there are about three times as many in the community colleges) but, like the dependent students, their unmet need levels were higher in these non-public colleges. The "Independent with children" dis-

TABLE VIII. Distribution of Unmet Need by Dependency Status, 1982-83 and 1983-84

1982-83 Unmet Need

	$1000 - Under		$1001 - 2000		$2001 - 3000		$3001 - 4000		$4001 - 5000		$5001 - 7500		Above 7500		ALL		AVERAGE
Status	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	
Dependent	1,246	2097	4,791	3205	5,459	2218	3,623	1060	2,130	479	1,729	297	939	97	19,918	9453	$ 2107
Independent w/children	176	352	567	379	1,127	850	1,667	475	1,832	411	3,974	646	3,412	303	12,755	3096	4120
Independent w/o children	990	1815	2,366	1616	2,497	1012	2,625	759	1,433	323	1,817	302	1,093	111	12,820	5938	2159

1983-84 Unmet Need

	$1000 - Under		$1001 - 2000		$2001 - 3000		$3001 - 4000		$4001 - 5000		$5001 - 7500		Above 7500		ALL		AVERAGE
Status	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	
Dependent	1,186	2137	5,113	3395	7,894	2883	4,058	1427	2,369	535	1,709	291	643	69	22,972	10737	$ 2139
Independent w/children	202	373	674	456	1,195	477	1,707	493	1,484	331	4,226	680	4,777	523	14,264	3333	4280
Independent w/o children	926	1718	2,871	1916	2,842	1153	2,768	806	2,526	574	2,542	420	1,132	111	15,607	6698	2330

* N = number of students

108

tribution is by far the most remarkable of the three groups. About 60 percent of all such students in both years were enrolled in the community colleges. It is well known that the community college student population tends to be more diverse and somewhat older than that in other types of colleges. However, these data are quite unique and valuable in showing so very clearly the concentration of high-unmet need students who are in the "Independent with children" status in these two-year "open-door" colleges. Obviously, these colleges are serving such students educationally, but is the financial aid system serving them effectively?

One would expect from the distribution shown in Table IX that this target group of high unmet need students will perforce be concentrated at the freshman and sophomore levels. Table X bears out this expectation.

At this point in the analysis, the researchers became intensely interested in the personal characteristics of the three dependency status groups. Accordingly, the final three tables in this section discussing the core group displays their distributions of ethnicity, sex and age in Tables XI, XII, and XIII, respectively.

Taken together, these tables show that the three dependency status groups are distributed quite evenly among the ethnic groups. And this is true of the uniquely interesting "Independent with children" group also; evidently this group with its exceedingly high unmet need level knows no social or ethnic barriers.

However, it is equally clear that the "Independent with children" students are more than twice as likely to be female than male, and are nearly five times as likely to be older than 24 years of age. Contrast the latter statistic with the distributions in Table XIII which show almost an opposite tendency for dependent students, and a strong skewing toward the under 29 year-old categories for the "Independent with no children" group. These findings are of particular policy significance in view of general trends for older females to enter (or return to) higher education and in relationship to an overall older service pattern among institutions; particularly community colleges. As we will see in the next section, it is also the "Independent with children" group which is most significantly represented in the "partial year" student category.

TABLE IX. Distribution of Unmet Need by Dependency Status and Sector, 1982-83 and 1983-84

1982-83

	Dependent		Independent w/children		Independent w/o chi'dren	
Sector	# Students	Avg $	# Students	Avg $	# Students	Avg $
Doctoral	2414	1797	239	2816	1474	1632
Regional	2059	1726	458	3354	1559	1833
Independent	2580	2898	201	4358	747	3310
Comm. Coll.	2400	1895	2198	4399	2158	2355

1983-84

	Dependent		Independent w/children		Independent w/o children	
Sector	# Students	Avg $	# Students	Avg $	# Students	Avg $
Doctoral	2691	1918	239	3439	1406	1815
Regional	2424	2029	490	3843	1703	2173
Independent	2894	2551	229	4472	871	3030
Comm. Coll.	2728	2020	2375	4436	2635	2492

TABLE X. Distribution of Unmet Need by Dependency Status and Year in School, 1982-83 and 1983-84

1982-83

	Dependent		Independent w/children		Independent w/o children	
Year In School	# Students	Avg $	# Students	Avg $	# Students	Avg $
Freshman	3363	2191	926	4630	990	2528
Sophomore	3174	1984	1484	4162	1839	2208
Junior	1594	2145	302	3840	1184	2013
Senior	1322	2140	384	3260	1925	2012

1983-84

	Dependent		Independent w/children		Independent w/o children	
Year In School	# Students	Avg $	# Students	Avg $	# Students	Avg $
Freshman	3799	2156	1029	4476	1333	2665
Sophomore	3565	2080	1562	4351	2163	2324
Junior	1626	2183	328	3768	1205	2232
Senior	1547	2185	414	3923	1997	2172

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TABLE XI. Distribution of Unmet Need by Dependency Status and Ethnicity, 1982-83 and 1983-84

1982-83

Ethnicity	Dependent # Students	Dependent Avg $	Independent w/children # Students	Independent w/children Avg $	Independent w/o children # Students	Independent w/o children Avg $
Black	393	2280	176	3886	291	2158
American/ Alaskan Native	146	2205	143	4056	144	2424
Asian/Pac. Isl.	734	2053	210	4614	647	2080
Hispanic	263	1928	162	3490	142	2268
Caucasian	7218	2122	2276	4076	4072	2171

1983-84

Ethnicity	Dependent # Students	Dependent Avg $	Independent w/children # Students	Independent w/children Avg $	Independent w/o children # Students	Independent w/o children Avg $
Black	385	2135	204	4664	356	2924
American/ Alaskan Native	187	2160	176	4824	156	2468
Asian/Pac. Isl.	852	2187	178	4702	788	2072
Hispanic	318	2230	110	3891	163	2454
Caucasian	8228	2128	2506	4182	4622	2310

TABLE XII. Distribution of Unmet Need by Dependency Status and Sex, 1982-83 and 1983-84

1982-83

Sex	Dependent # Students	Dependent Avg $	Independent w/children # Students	Independent w/children Avg $	Independent w/o children # Students	Independent w/o children Avg $
Male	4524	2126	937	4005	3289	2114
Female	4927	2090	2158	4168	2848	2215

1983-84

Sex	Dependent # Students	Dependent Avg $	Independent w/children # Students	Independent w/children Avg $	Independent w/o children # Students	Independent w/o children Avg $
Male	5091	2170	1039	4540	3788	2308
Female	5645	2112	2293	4163	2909	2357

TABLE XIII. Distribution of Unmet Need by Dependency Status and Age, 1982-83 and 1983-84

1982-83

Age	Dependent # Students	Dependent Avg $	Independent w/children # Students	Independent w/children Avg $	Independent w/o children # Students	Independent w/o children Avg $
< 22	7611	2099	193	4420	1475	2251
22 - 24	1637	2115	378	2823	2168	2070
25 - 29	150	2380	957	4053	1484	2140
30 - 34	22	1909	772	4119	484	2173
35 - 39	18	3055	457	4374	144	2597
> 39	15	1533	339	4136	183	2235

1983-84

Age	Dependent # Students	Dependent Avg $	Independent w/children # Students	Independent w/children Avg $	Independent w/o children # Students	Independent w/o children Avg $
< 22	8522	2113	156	4513	1680	2324
22 - 24	1918	2227	412	4175	2317	2230
25 - 29	212	2269	1019	4012	1616	2223
30 - 34	34	2265	898	4230	535	2660
35 - 39	< 10	-	461	4566	198	2177
> 39	44	2750	387	4777	352	3360

Resident Undergraduates Who Did Not Receive Aid for the Full School Year (Partial Year Students)

This group represents approximately one-third of the total full-time resident undergraduates receiving student financial aid who had remaining unmet need (in 1982-83, 9,402 of 27,923 students, or 33.7%, and in 1983-84, 10,268 of 31,031 students, or 33.1%). These students did not receive financial aid for the full school year. It is not known from the data which are available whether these students actually attended for less than a school year or which terms they attended. The data base indicates only the number of terms in which financial aid was provided and used. However, in view of the high average unmet need of this group (even on the adjusted basis which will be discussed shortly) it is likely that most of these individuals did not complete the full school year. Therefore, in further discussions we will use the shorthand "terms attended" in lieu of "terms in which aid was received."

The unmet need of this group presents one of the more difficult elements of this analysis since it can be logically defined and expressed in two ways: First, if one assumes that all of the students in this group planned to attend a full school year, maintained good academic standing and that the only reason for not receiving a full year's financial aid was because of inadequate student aid, then (a) need and individual/family resources should be calculated on a full year basis and (b) the partial year financial aid should be deducted from total need to determine unmet need. On the other hand, if one assumes that all of the students in this group dropped out or stopped receiving financial aid for nonfinancial reasons, (e.g., poor academic standing, personal choices, etc.) then (a) need and individual/family resources should be calculated only for the period aid was received and (b) the partial year financial aid should be deducted to determine unmet need. For the purpose of this analysis, the most conservative approach (the second alternative) was selected. In this process, student costs and family contribution amounts were reduced by two-thirds if a student received aid in only one academic quarter, reduced by one-half if aid was granted in only one semester, and by one-third if received for two academic quarters.

The following is a comparison of the two approaches to calculation of unmet need:

TOTAL	1982-83 Unmet Need	1983-84 Unmet Need
Full Year Calculation	$37,832,000	$40,845,000
Partial Year Calculation	13,908,000	14,757,000
Difference	($23,924,000)	($26,088,000)
PER STUDENT		
Full Year Calculation	$ 4,011	$ 3,980
Partial Year Calculation	1,479*	1,438*
Difference	($ 2,532)	($ 2,542)

* When students whose need was fully met or whose aid exceeded the artificially recalculated "need" are excluded, the average unmet need was $1,740 in 1982-83 and $1,705 in 1983-84.

Both the data and the nature of the assumptions indicate that both of the calculations are wrong to some degree. The truth evidently lies between the two extremes. The fact that the arbitrary recalculation placed a substantial number of these students into an apparent over-award status is a clear indication of the conservative nature of the "partial year assumption." In this context then, the extent of the unmet need of this group is between $14.8 and $40.8 million in 1983-84. Further review is needed to establish more specific assumptions about this group and the extent to which unmet need affects their ability to stay in school.

On a preliminary basis, it is evident that the degree of unmet need for this group is greater -- for the terms they did receive aid -- than those who persisted through the year. By calculating the total need of partial year students using both the full year and partial year methods discussed above and contrasting the results, we can determine that the average partial year student attended 50 percent of the school year, e.g., one semester or one and one-half quarters. Two calculations, one of the whole group and one of the subset of independent students with children were made for 1982-83. Both were within one percent of the 50 percent relationship (49.7 and 50.8 percents). Using the 50 percent attendance with aid assumption, the 1982-83 unmet need of the partial year students was 20 percent greater than those receiving aid the full year. In 1983-84, the disparity was somewhat less (13 percent).*

It is interesting to note that the reduction in the aid disparity parallels a modest reduction in the proportion of aided undergraduate residents receiving aid for a partial year (33.7% in 1982-83 to 33.1% in 1983-84). While certainly not conclusive, this relationship provides some indication that more adequate student aid assists in retention.

As in the case of the core group, a further review was conducted of the three subcategories: dependent students, independent students with children, and independent students without children. As is shown in Table XIV, the group most greatly affected by high unmet need are independent students with children. In addition, these individuals have a substantially (about 10 percent) higher unmet need than their counterparts who attended the full year. It is significant that this group demonstrates the lowest persistence (when measured by the number of terms in which aid was received) of any of the groups studied. Only 55 percent of the 6,080 aided undergraduate residents with children received aid the full year. This compares with 65% of independent students without children and 74% of dependent students.

A parallel analysis with the core group was performed with the partial year students, but in accordance with the focus in this report on the core group, the tables displaying the unmet need of the partial year group, cross-classified by key variables, are included as Appendix Two. These tables show the distribution of unmet need by dependency status separately by institutional sector, year in school, ethnicity, sex and age, respectively and parallel Tables IX through XIII.

In general, the partial year students tended to be substantially older than the core group. In addition, there was a slightly higher percent of females, minorities, and lower division students in the partial year group than is reflected in those attending for the full year. Overall, aside from the factors of high unmet need and the existence of children previously noted, the largest descriptor of partial year recipients was attendance at

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* Calculated Full Year Equivalent Average Unmet Need
1982-83 Partial Year $2957, Full Year $2460
1983-84 Partial Year $2876, Full Year $2544

TABLE XIV. Distribution of Unmet Need by Dependency Status, 1982-83 and 1983-84, Partial Year Students

1982-83 Unmet Need

Status	$1000 - Under		$1001 - 2000		$2001 - 3000		$3001 - 4000		$4001 - 5000		$5001 - 7500		Above 7500		ALL		AVERAGE
	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	
Dependent	669	1750	1,366	951	837	351	226	68	138	31	171	29	17	2	3,424	3182	$ 1076
Independent w/children	196	606	890	608	1,685	678	942	279	969	215	1,253	213	103	12	6,039	2611	2313
Independent w/o children	620	1802	1,432	1050	1,260	526	284	83	348	77	273	47	223	24	4,440	3609	1230

1983-84 Unmet Need

Status	$1000 - Under		$1001 - 2000		$2001 - 3000		$3001 - 4000		$4001 - 5000		$5001 - 7500		Above 7500		ALL		AVERAGE
	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	$(000)	N*	
Dependent	809	2172	1,573	1104	945	297	329	97	118	27	80	14	17	2	3,871	3813	$ 1015
Independent w/children	261	713	893	615	1,628	656	1,051	307	812	179	1,511	251	230	26	6,387	2747	2325
Independent w/o children	622	1834	1,470	1050	1,493	605	404	118	268	59	159	28	83	9	4,499	3703	1215

* N = number of students

a community college. Of the total full time students receiving financial aid, 45 percent attended community colleges. However, only 37 percent of the core group (students aided for the full year) attended community colleges while 60 percent of the partial year group were community college students. As in the case of the core group, the most policy sensitive group within the partial year students are older students, predominantly female, attempting to start or continue their education in a community college.

4. SUMMARY

Prior to this study, the Council had already established the existence of a substantial gap between the total financial resources (including financial aid from all sources) available to students and the total amount needed to meet college costs. This gap is termed unmet need. The present study was designed to determine the components of that gap, the difference among students in the amount of unmet need, the characteristics of students at differing levels of unmet need, and the relationships among variables that seem associated with such differences.

Due to decreases in federal support of student financial aid (about 20 percent in 1980 adjusted dollars over the past four years), and the prospect of further, possibly steeper, declines, the growth of unmet need becomes a crucial factor in planning and management of postsecondary enrollment patterns in Washington. The Council therefore initiated and supported what is probably the most thorough large-scale study of unmet need at the state level conducted to date.

The study staff adopted a very conservative approach to the data, and focused intensive analytical efforts on only that portion of the total data sets which comprised completely reliable information about student finances which also had significant policy implications. The students for whom such data were available were resident full-time undergraduates attending the same institution for the full school year. These were termed the "core group" of whom there were 18,487 in 1982-83 and 20,768 in 1983-84. The total amount of unmet need for these students was $45,493,000 and $52,843,000, respectively for an annual per student average of approximately $2500. That this approach was most conservative is underscored by comparison with the total set of student records available for analysis in each of these two years: In 1982-83 there were 73,373 applicants or students with a total of $266,390,000 unmet need; the following year 76,462 applicants or students had a total of $277,645,000 unmet need. The core group thus represents only the "tip" of the unmet need "iceberg."

Painstaking analysis of the core group data yielded many interesting and significant findings. Among the most salient of these are the following:

1. *Unmet need represents a large and growing gap between costs and resources for an increasing number of postsecondary students in Washington.*

2. *Unmet need is by no means spread uniformly among students. For some students the gap is so large that it can be logically surmised to be a deterrent to timely completion of programs, the ability to stay in school, or to return if discontinuance is necessary.*

3. *The notable variance in background characteristics of students according to differing levels of unmet need suggest that targeting of ameliorative strategies could effectively offset the worst effects of unmet need. This study went far in identifying the types of students who seem to be impacted most severely.*

Additional research was conducted on the group most closely related to the core group; resident full-time undergraduates not completing the academic year. It was found that this group had a somewhat higher level of unmet need, was older and consisted of a higher proportion of females, minorities, and community college students than the core group. This analysis indicates that consideration of special targeting strategies to address the "stop-out" or "drop-out" phenomenon is warranted.

As documented in this report, the study yielded many highly significant findings, several of which suggest possible policy responses by state government. Indeed, the study was successful in providing data useful to decision-makers. But, as with any intensive research effort on a complex social and economic phenomenon, the effort uncovers not only useful and definitive findings, it also reveals additional intriguing avenues for further, perhaps even more significant research.

For example, and perhaps of even more pointed policy significance, the study could not encompass analysis of an extremely important group, namely, those who applied for aid but for whom no aid was reported. Who are they? Why did they not receive aid? Was it because they were prevented from even enrolling in a Washington college or university because of an extensive unmet need gap? In-depth analysis needs to be conducted on this group.

Similarly, in regard to those who only attended part of an academic year, was their personal unmet need gap a reason, or perhaps the main reason, for their inability to complete the full year? For how many, and what kinds of students, was this true? To what extent were academic and personal, non-financial, factors involved?

In addition, for those students completing the year, what strategies did they use to cope with unmet financial need? What effect, if any, did it have on choice of academic field or ability to continue in future years? Although the two-year span of data (1982-83 and 1983-84) allowed only very limited trend analyses, the following topics are of future research interest: (a) Down-shift: Do students with high levels of unmet needs shift to a lower cost institution significantly more than others? (b) To what extent does unmet need vary over time by socio-economic background; do students from the lower-middle income levels have higher levels of unmet need because of lowered packaging and higher eligibility requirements as compared to high need, low-income students? Do shifts to independent status occur among high need students more often than among low-need students?

It would be tempting to reach specific conclusions solely on the basis of this review. However, all of those involved in this study are aware that further follow-up analysis is needed to determine the extent to which the provision of adequate student aid would affect an apparent heavy stop- or drop-out pattern among certain groups of students. Of immediate concern are individuals with dependent children; primarily older female students. The study clearly demonstrates that special needs exist in this area and that none of the existing student financial aid programs makes special provision for the unique needs of this group.

APPENDIX ONE

TECHNICAL NOTE

This Note describes the technical processes and definitions used in developing the Master Analysis File (MAF).

Data File Creation.

As indicated in Chapter Two, the sources of data for the MAF were the Council for Postsecondary Education's Unit Record Report (URR) and the College Scholarship Service (CSS) data tape containing information supplied by applicants (both Washington residents and non-residents) for financial aid at Washington institutions. Table A (attached) reflects the record layout of the MAF.

The MAF was created using a COBOL program. The two input files, CSS data and URR data, were compared. If a match, based on social security number (SSN) was encountered, both input records were used to construct the MAF. If a match was not encountered, the record with the lowest SSN was written to the MAF, a new record read in, and another comparison made. The MAF, therefore, contains records with only URR data, only CSS data, and matched CSS and URR data.

The following are descriptions of key indicators used in the determination of Financial Need and Unmet Need:

Total Costs: Total costs are the total institutional tuition and fees for the nine month academic year and an institutional maintenance budget for living expenses, books, and so forth. For the student who attended a Washington institution full-time for the full academic year and received aid, these calculations were rather straightforward derivations from existing data sources. First, the URR institutional codes were matched to tuition and fee schedules for the student's institution and level of enrollment (e.g., undergraduate, graduate, professional). Then standardized allowances for student expenses under the various possible living arrangements were built in. Living arrangements were a function of two factors: Living with parents versus living on campus or in off-campus housing. The number of people dependent upon the student was added as the final ingredient necessary for computing the living arrangements costs. In summary, the necessary ingredients for computing total costs were: (1) the institutional tuition and fees for the level of enrollment, (2) the number of dependents, (3) whether or not the student was living with parents, and (4) the nine month maintenance budget fitting these circumstances. When the student had no URR data, total costs were computed using first choice institution data and stated intentions concerning living arrangements. Sample 1983-84 budgets for a single, full-time, resident student, living on campus or in an apartment were:

	State University	Private University	Community College
Tuition & Fees	$1,308	$5,664	$ 581
Room and Board	2,505	2,505	2,505
Books and Supplies	350	350	350
Personal Expense (includes medical and dental)	975	975	975
Transportation	700	700	700
TOTAL	$5,838	$10,194	$5,111

In the case of less than full time students, a separate review determined that the great majority receiving financial aid were enrolled for nine or more hours but less than twelve. Since, at most public institutions in Washington, full fees are assessed at ten hours, full tuition was assumed. When a student was apparently enrolled for less than a full year, a special data manipulation was necessary. That process is described in Chapter 3.

Student Resources: The calculation of student resources assumed a zero level of summer savings as opposed to any level assigned by an aid officer or by CSS calculations. The student's contribution used in the study was the sum of the student's contribution from income and the student's contribution from assets as computed according to the Uniform Methodology system of needs analysis as reported on the CSS Financial Aid Form Needs Analysis Report (FAFNAR). In all other aspects, the calculation of student resources was identical to that represented on the URR.

Parental Contribution: The study allowed no negative parental contributions to be employed. All negatives on this item were set to zero. In all other aspects, the expected parental contribution data will be identical to that reported on the FAFNAR; if FAFNAR data were not available, the parent contribution figure from the URR was used.

Non-aided Students with less than $200 of Need: Students in the MAF with only CSS data (no URR data) who had a calculated need of less than $200 were excluded from further analysis in the study.

Total Student Aid: This data item was constructed from available URR data items which provided the aid received by students by each program. For those students having no URR data, Total Aid was set to zero.

Unmet Need: Once the above calculations were made, the calculation of raw unmet need was straightforward, following Formula II. The study employed two indicators of unmet need, however. Raw unmet need is as described in Formula II. A revised unmet need indicator was constructed also, however, to facilitate certain calculations and data presentations. The revised indicator was constructed setting all negative raw unmet need values to zero. This manipulation served two purposes. First, it facilitated straightforward data presentation on a complex public policy topic. In some instances, the revised indicator was superior to the raw indicator in discussing significant financing issues. Second, it allowed superior calculation of ratio and proportions. Two indicators that were constructed and used in the analysis were the proportions of Total Need and Total Costs taken up by (revised) unmet need.

Merging the Files to Ensure Discrete Data: As described briefly in Chapter Two, a match and merge routine was followed to ensure that there were no exact duplicate records and that all records on either or both the URR and the CSS tapes were included. Social Security numbers were used to match and merge. It was assumed, however, that there would be duplicate social security numbers but different institutional codes as well as aid received information. In this case, the duplicate social security numbers with different following data were retained in the URR file. For duplicate student files in the CSS file, a check was made to see if the particular file was revised, and, if so, the latest revised file was used and the original, or earlier revision, was deleted. When the URR and CSS files were merged, duplicate social security numbers occurred only if the student received aid from two different institutions. If such was the case, a check was made to see if the total number of terms aided from all institutions was greater than four quarters or three semesters, or the equivalent. If that were the case, the particular student record was printed to an error file and reviewed. In all other cases, the tuition and fees for the particular institution attended was computed based on the number of terms aid was received at that institution.

File Specification:

CSS - Record length = 1880

Records were sorted by social security number in ascending order. Storage medium - magnetic tape.

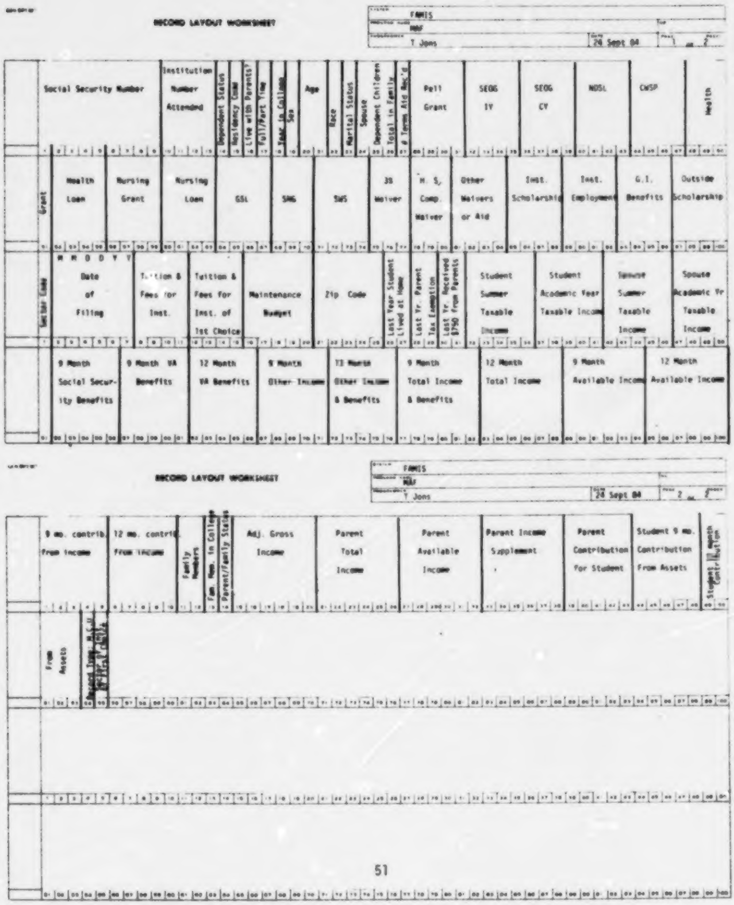
URR - Record length = 120

Records were sorted by social security number in ascending order. Storage medium - 3380 disk with back-up on magnetic tape.

MAF - Record length = 255

Storage medium - 3380 disk with back-up on magnetic tape.

TABLE A.



RECORD LAYOUT WORKSHEET

	FAMIS
	MAF
	T Jons
	24 Sept 84
	1 of 2

	Social Security Number	Institution Number Attended	Dependent Status	Residency Code	Live with Parents?	Full/Part Time	Year in College	Sex	Age	Race	Marital Status	Spouse	Dependent Children	Total in Family	# Terms Atd Req'd	Pell Grant	SEOG IY	SEOG CY	NDSL	CWSP	Health

Grant	Health Loan	Nursing Grant	Nursing Loan	GSL	SMG	SWS	3B Waiver	H. S. Comp. Waiver	Other Waivers or Aid	Inst. Scholarship	Inst. Employment	G.I. Benefits	Outside Scholarship

Sector Code	M M D D Y Y Date of Filing	Tuition & Fees for Inst.	Tuition & Fees for Inst. of 1st Choice	Maintenance Budget	Zip Code	Last Year Student Lived at Home	Last Yr. Parent Tax Exemption	Last Yr. Received $750 from Parents	Student Summer Taxable Income	Student Academic Year Taxable Income	Spouse Summer Taxable Income	Spouse Academic Yr Taxable Income

	9 Month Social Security Benefits	9 Month VA Benefits	12 Month VA Benefits	9 Month Other Income	12 Month Other Income & Benefits	9 Month Total Income & Benefits	12 Month Total Income	9 Month Available Income	12 Month Available Income

RECORD LAYOUT WORKSHEET

	FAMIS
	MAF
	T Jons
	24 Sept 84
	2 of 2

	9 mo. contrib. From Income	12 mo. contrib. From Income	Family Members	Fam. Mem. in College	Parent/Family Status	Adj. Gross Income	Parent Total Income	Parent Available Income	Parent Income Supplement	Parent Contribution for Student	Student 9 mo. Contribution From Assets	Student 12 month Contribution

	From Assets	Record Type: M,C,U [illegible]

51

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APPENDIX TWO

APPENDIX TABLE A.

Distribution of Unmet Need by Dependency Status and Sector, 1982-83 and 1983-84, Partial Year Students

1982-83

Sector	Dependent		Independent w/children		Independent w/o children	
	# Students	Avg $	# Students	Avg $	# Students	Avg $
Doctoral	712	1024	104	1500	542	934
Regional	953	929	252	1682	705	1130
Independent	353	1382	71	2324	229	1633
Comm. Coll.	1564	1082	2184	2424	2133	1296

1983-84

Sector	Dependent		Independent w/children		Independent w/o children	
	# Students	Avg $	# Students	Avg $	# Students	Avg $
Doctoral	881	726	94	1521	520	871
Regional	773	1052	270	2393	763	1202
Independent	395	1367	85	2376	267	1689
Comm. Coll.	1878	1084	2298	2348	2153	1244

C.F. Table IX

APPENDIX TABLE B.

Distribution of Unmet Need by Dependency Status and Year in School, 1982-83 and 1983-84, Partial Year Students

1982-83

Year in School	Dependent		Independent w/children		Independent w/o children	
	# Students	Avg $	# Students	Avg $	# Students	Avg $
Freshman	1531	1098	1488	2438	1427	1322
Sophomore	924	1021	823	2350	1056	1199
Junior	350	1154	131	1595	368	1231
Senior	377	1050	169	1586	758	1103

1983-84

Year in School	Dependent		Independent w/children		Independent w/o children	
	# Students	Avg $	# Students	Avg $	# Students	Avg $
Freshman	1805	1094	1683	2358	1564	1293
Sophomore	1019	980	755	2350	1014	1169
Junior	459	865	141	2383	397	1113
Senior	530	945	168	1833	728	1165

C.F. Table X.

APPENDIX TABLE C.

Distribution of Unmet Need by Dependency Status and Ethnicity, 1982-83 and 1983-84, Partial Year Students

1982-83

	Dependent		Independent w/children		Independent w/o children	
Ethnicity	# Students	Avg $	# Students	Avg $	# Students	Avg $
Black	222	1122	203	2148	254	1378
American/ Alaskan Native	68	1074	164	2390	143	1133
Asian/Pac. Isl.	243	1156	156	2615	390	1126
Hispanic	105	1333	67	2507	87	1310
Caucasian	2257	1054	1805	2258	2386	1222

1983-84

	Dependent		Independent w/children		Independent w/o children	
Ethnicity	# Students	Avg $	# Students	Avg $	# Students	Avg $
Black	206	1121	183	2148	226	1239
American/ Alaskan Native	132	1106	177	2780	149	1309
Asian/Pac. Isl.	292	1202	107	3056	396	1184
Hispanic	140	1121	78	2487	101	1148
Caucasian	2797	989	2054	2237	2543	1213

C.F. Table XI.

APPENDIX TABLE D.

Distribution of Unmet Need by Dependency Status and Sex, 1982-83 and 1983-84, Partial Year Students.

1982-83

	Dependent		Independent w/children		Independent w/o children	
Sex	# Students	Avg $	# Students	Avg $	# Students	Avg $
Male	1601	1118	717	2212	2062	1193
Female	1578	1034	1885	2346	1540	1277

1983-84

	Dependent		Independent w/children		Independent w/o children	
Sex	# Students	Avg $	# Students	Avg $	# Students	Avg $
Male	1977	1021	701	2337	2104	1205
Female	1836	1009	2044	2317	1598	1228

C.F. Table XII.

APPENDIX TABLE E.

Distribution of Unmet Need by Dependency Status and Age, 1982-83 and 1983-84, Partial Year Students

1982-83

Age	Dependent # Students	Dependent Avg $	Independent w/children # Students	Independent w/children Avg $	Independent w/o children # Students	Independent w/o children Avg $
< 22	2483	1087	191	2304	805	1365
22 - 24	536	985	391	2261	1111	1190
25 - 29	115	1148	785	2117	963	1144
30 - 34	24	1458	619	2429	384	1211
35 - 39	5	2000	353	2586	132	1295
> 39	19	947	272	2382	214	1313

1983-84

Age	Dependent # Students	Dependent Avg $	Independent w/children # Students	Independent w/children Avg $	Independent w/o children # Students	Independent w/o children Avg $
< 22	2887	1036	186	2005	832	1293
22 - 24	743	1010	411	2251	1095	1186
25 - 29	131	1084	802	2263	998	1133
30 - 34	25	1080	656	2296	393	1178
35 - 39	8	1500	377	2559	177	1243
> 39	19	885	316	2500	208	1481

C.F. Table VIII.

REFERENCES

1. Council for Postsecondary Education. "State of Washington Need Grant Program Fact Sheet." Olympia, WA: The Council for Postsecondary Education, 1982.

2. *Ibid.*

3. Council for Postsecondary Education. "Summary of Need Based Student Financial Aid Funds Available in Washington State, By Category." Olympia, WA: The Council for Postsecondary Education, 1983.

4. *Ibid.*

5. Council for Postsecondary Education. "Student Financial Aid in Washington State." Olympia, WA: The Council for Postsecondary Education, 1984.

6. Council for Postsecondary Education. "Ten-Year, Actual and Projected, Comparison of Allocations in Washington State Between Federal College Work-Study Program and Washington State Work-Study Program, 1974-75 through 1984-85." Olympia, WA: The Council for Postsecondary Education, 1984.

7. *Ibid.*

8. The College Board. "Trends in Student Aid: 1980 - 1984." Washington, D. C.: The Washington Office of the College Board, 1984.

9. Astin, A. W. *Minorities in Higher Education: Recent Trends, Current Prospects and Recommendations*. San Francisco: Jossey-Bass, Publishers, 1982.

10. Anderson, C. J. "Financial Aid for Full-Time Undergraduates." Washington, D. C.: The American Council on Education, 1984.

11. Council for Postsecondary Education. "Student Financial Aid Budget Issues." Olympia, WA: The Council for Postsecondary Education, 1983.

12. *Ibid.*

SUPPLEMENTAL STATEMENT OF BRENT A. ORRICO, SENIOR VICE PRESIDENT, WASHINGTON MUTUAL SAVINGS BANK, SEATTLE, WA

At the direction of Chairman Ford and in response to questions raised at that hearing on the reauthorization of the Higher Education Act, held July 22, 1985 in Seattle, Washington, I provide the following additional information.

At issue is the policy of the Special Allowance paid to lenders who disburse guaranteed student loans on a multiple issue basis. Because the dynamics of this process allow these lenders to retain the use of undisbursed proceeds while, at the same time, being paid interest at the market rate, the lender effectively earns a yield in excess of the stated Special Allowance. The question, therefore, is posed as to whether the costs incurred by the federal government due to this "multiple disbursement effect" are justified in light of the yield requirement of lenders and the other benefits generated from the multiple disbursement process.

In this response, I will demonstrate that, under the lending strategy used by my bank, the yield enhancement gained through the multiple disbursement effect is critical to our profitable participation in the guaranteed student loan program. The data provided here indicate that our net income, after cost of funds and operating expenses, would be reduced 60 percent if interest were paid on outstanding balances only.

For the twelve months ended June, 1985, Washington Mutual Savings Bank was the leading GSL lender in the state, originating $17,093,762 in guaranteed student loans. During that same period, the Bank disbursed $16,602,321 under its multiple disbursement procedure, resulting in an average outstanding balance of $7,757,523. For the fifteen months to end September, 1985 the average outstanding balance of these loans will be approximately $8.4 million.

Direct expenses for the operation of our guaranteed student loan department were approximately $224,000 for the twelve month period, exclusive of loan losses, general banking overhead and rent of facilities.

The Bank's average cost of funds during this period was never lower than the three month treasury bill index rate. However, for purposes of this analysis I have assumed sufficient funds are available for the GSL program at the treasury bill rate. Therefore, I assume net interest income is equal to the 3.5 percent Special Allowance rate.

Also, I have estimated the interest income to be accrued on outstanding balances through September, 1985, when final sale of these loans is scheduled, without an additional allocation of department expenses. This fairly represents the allocation of costs between loans in process and those fully disbursed and awaiting sale.

Using the actual disbursement record shown in Exhibit 1, attached, we compute that the net earned by the lender under the current multiple disbursement procedure would total $369,195, or 4.37 percent of the average outstanding balance. If net interest were earned only on the actual amount disbursed, this figure would decline to 3.50 percent of the average outstanding balance, or approximately $283,000. That is, 23 percent of our net interest income is derived from the multiple disbursement effect.

After allowing for operating expenses of $224,403, the net revenue is reduced to $144,792. Hence, the multiple disbursement effect accounts for 59.3 percent of net income.

An ancillary point to be drawn from our data supplied in Exhibit 1 is the fact that loan application, commitments and disbursements are handled each month of the year to accommodate the different school sessions and programs. Therefore, it is not practical to assume that eliminating the multiple disbursement process would eliminate, simultaneously, a significant amount of operating expense. Because over 70 percent of our expenses are related directly to staffing which is not seasonal, the elimination of multiple disbursements reduces only some relatively minor clerical, postage and filing expenses.

In summary, the multiple disbursement effect created by paying interest on loans from date of origination serves to induce lenders to follow the more sound lending practice of multiple disbursements as well as allowing the well managed lender the opportunity to earn a return commensurate with its other lending and investment opportunities. It is my opinion that elimination of the multiple disbursement effect would induce lenders either to discontinue multiple disbursement processing, with the attendant increase in the expected value of loan losses, or to reappraise the economic validity of its GSL involvement given the budget and capital restraints existing today in our industry.

EXHIBIT I.—GSL INCOME ANALYSIS

Month	Loan amount	Loans sold	Loans outstanding	Actual disbursments	Net loans	Interest earned		Net difference	Department expenses
						Loans outstanding	Net loans		
1	393,500		393,500	260,757	260,757	1,148	761	387	17,572
2	2,345,500		2,739,000	1,316,407	1,316,407	7,989	3,840	4,149	16,973
3	2,732,400		5,471,400	2,534,107	2,534,107	15,958	7,391	8,567	16,306
4	3,384,250		8,855,650	3,928,982	3,928,382	25,829	11,460	14,369	23,511
5	2,186,100	926,768	10,114,982	4,812,332	3,885,564	29,502	11,333	18,169	15,332
6	1,463,950		11,578,932	9,377,107	8,450,339	33,772	24,647	9,125	17,923
7	1,510,275		13,089,207	10,864,482	9,937,714	38,177	28,985	9,192	26,984
8	917,544	205,435	13,801,316	11,445,811	10,313,608	40,254	30,081	10,172	16,881
9	768,750		14,570,066	14,860,211	13,728,008	42,496	40,040	2,456	17,124
10	571,175		15,141,241	15,699,621	14,567,418	44,162	42,488	1,674	19,971
11	410,318		15,551,559	16,059,296	14,927,093	45,359	43,537	1,821	17,076
12	410,000	6,229,841	9,731,718	16,602,321	9,240,277	28,384	26,951	1,433	18,750
13	0	7,206,213	2,525,505	16,602,321	2,034,064	7,366	5,933	1,433	
14	0		2,525,505	16,602,321	2,034,064	7,366	5,933	1,433	
15	0	2,034,064	491,441	16,602,321	0	1,433	0	1,433	
Totals	17,093,762	16,602,321				369,195	283,379	85,816	224,403

Critical indicators: Average loans outstanding, 8,438,735; net interest incurred 369,195; average spread 4.37; net income, 144,792; net interest, multiple disbursment: 85,816; multiple disbursement income as a precent of net, 59.27.

STATEMENT OF SENATOR NITA RINEHART, CHAIR, WASHINGTON STATE SENATE SUBCOMMITTEE ON COLLEGES AND UNIVERSITIES JULY 22, 1985

Mr. Chairman, we are pleased that you are holding a hearing in Washington State to discuss federal financial aid to students. In 1979 Washington State's portion of all financial aid programs (excluding loans) in the State was 11.6 percent and the federal portion was 88.4 percent. Now our State portion is 21.5 percent and the federal portion is 78.5 percent. During this period tuition for a resident undergraduate student has increased 134 percent.[1] Continuation and, if possible, increases in American aid to American students is imperative if we are to continue to hold out the dream of America as a land of opportunity for all its citizens.

Many speakers today will give you statistics. My testimony will be philosophical and brief.

VICTIMS OF CHANGE

If all of human existence were compressed into one single hour, this is how the hour would be divided: 59 minutes and 20 seconds would be prehistoric—before written records, before agriculture, before cities; 37 seconds would be the period of agriculture and the last three seconds would be the period of industrialization.

In that final second here are some of the trends that have developed; increase in data handling speed by a factor ten thousand; increase in communications speed by a factor of ten million; increase in travel speed by a factor of one hundred.[2]

These technological advances have been accompanied by drastic changes in our culture and in our value systems. The benefits to society are obvious; but there have also been victims of these changes. Education is the key for these victims to become beneficiaries, and for most of these persons financial aid is a necessity for them to get the education they need. In our higher education institutions we find these victims of change in the category of non-traditional students.

NON-TRADITIONAL STUDENTS

One of the rapid changes that we as policy makers have been slow to accept is that college students are not all fresh out of high school and relying on parental support. The average age of students in Washington State's Community Colleges is 30.[3]

The two major types of non-traditional students are single parents and dislocated workers.

SINGLE PARENTS

In Washington State the typical students with the greatest amount of unmet financial need is a single parent, older than 24, enrolled in a community college and receiving little or no family support.[4] For these single parents to receive the education and training to participate fully in society, continued and even increased financial aid will be necessary.

DISLOCATED WORKER

The dislocated worker is one whose job has disappeared—the victim of a permanent layoff. Permanent layoffs gernerally represent between 25 and 40 percent of all unemployment.[5] Some cynics always wave the want ads briskly in the air insisting that since there are obviously jobs available, anyone who is unemployed should be viewed with suspicion. Thoughtful persons recognize quickly however that the unemployed logger whose job is gone cannot cheerfully become a nurse—or enter any other differnent profession without education and training. And for the unemployed, financial aid is essential for getting that education.

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[1] Washington State Senate Ways and Means Committee July 1985.

[2] Jim Bowman. The Far Side of the Future. Education Section of the World Future Society, 1978, pp. 8–9.

[3] Washington State Board for Community Colleges July 1985.

[4] The Need Gap: Unmet Student Financial Need in the State of Washington. Council for Postsecondary Education, April 1985.

[5] Alice M. Rivlin. Economic Choices 1984. The Brookings Institution. 1984, p. 129.

OUR RESPONSIBILITY

We all assume that there are some federal subsidies that could be reduced or cancelled without harming our citizens. Clearly financial aid to students is not one of these expendable programs. Federal financial aid programs represent an investment in our future and a reaffirmation of our future and a reaffirmation of our commitment to equal opportunity for all Americans.

The tobacco industry, the automotive industry, the aerospace industry—the list could go on indefinitely—all have efficient, effective lobbyists who articulate and press for their benefits. Who lobbies for single parents, dislocated workers, and the other low-income citizens who need financial aid to get an education? You and I as elected representatives of all people hold that responsibility. I trust it is a responsibility we will affirm.

HOW MANY HOURS WOULD YOU HAVE TO WORK TO PUT YOURSELF THROUGH SCHOOL? 1962 vs. 1985

[Required work hours per week to pay full cost of education]

1962	1985
1. full-time during all available vacation periods	1. full-time during all available vacation periods
&	&
2. 19 hours per week during classes at minimum wage ($1.25)	2. 51 hours per week during classes at minimum wage ($3.35)
	or
	19 hours per week at $8.34 per hour

The State Work Study Program limits students to 19 hours work per week; how many $8.34 per hour part time jobs for students can you discover?

This chart was based on the average cost for a single person living away from home to attend the University of Washington. This chart assumes summer savings of $800 for 1985. The figures for 1962 use the actual cost under adjusted but duplicated circumstances.

Source: Shirley Ort, Associate Coordinator for Student Financial Assistance, Council for Postsecondary Education

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State of Washington,
Council for Postsecondary Education,
Olympia, WA, July 19, 1985.

Hon. William D. Ford,
Chairman, Committee on Education and Labor, Washington, DC.

Dear Representative Ford: The Council for Postsecondary Education urges the House Subcommittee on Postsecondary Education to reauthorize and strengthen the State Student Incentive Grant (SSIG) program.

The Education Amendments of 1972 recognized the developing partnership between the federal government and the states in providing financial aid to students. As a part of the Amendemnts—and to encourage the further growth of state programs—Congress established the State Student Incentive Grant (SSIG) program.

SSIG program funds are distributed among states based on their postsecondary enrollments. The program is extraordinarily efficient, generating a dollar of state funds for every federal dollar expended. To qualify for the funds, states must match federal allocations dollar-for-dollar. As a result of the matching requirement, over a billion dollars in additional student aid has gone to students since the inception of the program in 1974.

Although the SSIG program continues to fulfil its original objective, the program has never realized its full potential, largely due to lack of funding and the absence of a strong commitment to ensuring the success of the federal-state partnership. Nevertheless, the program is a model of how the federal government and the states can cooperate in establishing coherent aid programs that effectively leverage available federal dollars. Rather than being abandoned, the leveraging concept should be expanded.

The attached position paper outlines the National Association of State Scholarship and Grant Programs reauthorization proposal for the State Student Incentive Grant program. The Washington Council for Postsecondary Education endorses this position. New application of the federal SSIG program funding can further the state-federal partnership which the SSIG program has fostered.

Sincerely,

DENIS J. CURRY
Deputy Coordinator

In addition, if you wish information on State Work Study and its link to revised SSIG we will be pleased to assist the committee.

NASSGP NATIONAL ASSOCIATION OF STATE SCHOLARSHIP AND GRANT PROGRAMS REAUTHORIZATION PROPOSAL FOR STATE STUDENT INCENTIVE GRANT PROGRAM

Since its establishment in 1972, the State Student Incentive Grant Program (SSIG) has encouraged all states to create some form of state grant program to assist students who have financial need. The program not only directly benefits students, but it also is perhaps one of the few examples of how the federal government and the states can work in partnership to meet citizens' needs. In addition, it demonstrates impressively one way in which federal dollars can be leveraged successfully to increase their total effect.

The SSIG program continues to be a significant inducement to the states to maintain a statewide need-based program open to students in the various sectors of higher education. In fact, studies indicate that without the program, some 20 states might find it necessary to abandon their broad-based effort to help students. In other states, however, particularly those in which the SSIB program represents a relatively small portion of their overall student aid program, both the states and the federal government might realize an even greater return on their investment by allowing the states increased flexibility in the use of the funds.

The primary goal of the SSIG program should continue to be that of encouraging the states to assist students. Within this context, each state should determine if it can best use the funds to continue a statewide need-based financial aid program or to establish or augment one or more of the following activities:

1. A state work-study program;
2. A special program of assistance to adult learners; or
3. A coordinated program of financial aid outreach services.

State work-study program.—A number of states recently have established or authorized a statewide work-study program. Some of the programs would assist students in furthering their educational or career goals in addition to obtaining money to meet college costs. Others would promote a business-higher education partnership by permitting the students to work in for-profit as well as non-profit agencies and organizations. State work-study programs generally are popular with students and are enthusiastically supported by state legislators and citizens.

Special program to provide assistance to adult learners.—Many citizens over 25 years of age have special needs which compel them to enter college, often for the first time. Many of these individuals need special training or re-training in order to obtain necessary job skills. Very often they need financial aid but do not qualify because job or family commitments force them to be less than half-time students. The federal government and the states could cooperate in establishing special programs to assist such students when they are enrolled in courses applicable toward a degree, diploma, or certificate program.

Coordinated program of financial aid outreach services.—Recent research has documented a continuing need to provide more information to students—and their parents—about the availability and eligibility requirements pertaining to student aid. The studies have documented that many students must have the information during their middle-school years in order to plan appropriate high school courses of study that will prepare them for college. Very often, the students—and, again, their parents—need assistance in completing student aid applications and in understanding the responsibilities associated with accepting grant, loan, and work assistance.

If the states are provided increased flexibility to target SSIG funds to one or more of the specific needs described above, several special provisions should be in effect:

1. No more than 10 percent or $100,000, whichever is lesser of the federal funds allotted annually to a state under the program should be used to provide financial aid outreach services;

2. A state receiving SSIG funds should be required to provide a direct state match of the funds. No indirect match, as, for example, through the institutions, should be permitted;

3. The allotment to a state under the program should be proportionally decreased if the state does not permit—for whatever reasons—students attending proprietary institutions of higher education to receive benefits under the program; and

4. The maximum federal portion of a full-time student's grant under the program should be increased from $1,000 to $1,500. This modification simply recognizes the increasing cost of education to the students and their parents and ensures the prorated grants, especially for adults who are less than half-time, are of sufficient size to meet the cost of courses when they are charged to students by the credit hour.

Finally, to meet the needs identified here will require a larger appropriation than currently is provided to the program. Although no specific amount is requested, it is suggested that the authorized appropriation for the next five years remain at the level ($250 million) currently authorized for fiscal year 1985.

UNIVERSITY OF WASHINGTON,
Seattle, WA, September 11, 1985.

Hon. ROD CHANDLER,
Washington, DC.

DEAR CONGRESSMAN CHANDLER: I apologize for this somewhat belated response to your letter of August 14. I have been away from the office on vacation.

Each of the questions posed in your letter is reiterated and commented on below.

1. What are the academic and practical limits of the work-study program?

It has been our experience that most students attending the University of Washington cannot meet their educational expenses through earnings from employment and make progress as full-time students in their programs of study. The average costs for Washington resident undergraduates for the 1985–86 academic year will be approximately $6700, which includes tuition, books and living expenses. Our figures demonstrate that most students are capable of earning only half this amount, based on average student compensation of $4.70 per hour and a maximum recommended work schedule of 20 hours per week. It is generally recognized that students cannot work more than 20 hours per week without jeopardizing their academic well-being. Indeed, the employment policy in this state restricts "Student Helper" positions, those which are both work-study and regularly funded, to 19 or 19½ hours per week.

All students are encouraged to work and save money during the summer months, however. In fact, standard contributions of $700 to $900 from summer earnings are expected and assumed in the calculation of resources for most financial-aid applicants. Nevertheless, there are limits to the amounts students can save from summer earnings, given the typically low salaries that they receive and, in many cases, the concurrent need for them to cover their ongoing living expenses. While a few studnets possess skills and prior work records which enable them to command salaries sufficient to meet their overall financial obligations, they are clearly the exceptions.

2. Several people testified that a majority of students work to supplement educational costs. Where do most students work? What percentage is on the work-study program? Do institutions help with placement? Are efforts made to coordinate career goals with jobs?

We do not have comprehensive information on all students who work. However, we can draw some general conclusions from data on University students who avail themselves of the Work-Study Program and the institutional Student Employment Service, which posts job opportunities for all students regardless of financial-aid eligibility. Students work in a wide variety of on- and off-campus settings, including federal, state and local government agencies, non-profit organizations and private businesses. Although their job categories range from general labor to technical and professional, the majority of students occupy clerical or unskilled service positions.

Last year, 1,445 students were accommodated in Work-Study positions, which reprented about 4 percent of our total student body and 12 percent of our financial-aid recipients. Moreover, another 1,734 students secured jobs through the Student Employment Service, which is staffed by a full-time Job Developer who aggressively seeks student employment opportunities in the private sector. Further, these figures do not take into account students who are employed directly by academic departments or graduate students who received teaching and research assistantships, not to mention those who obtain off-campus jobs without institutonal assistance. While our Work-Study and Student Employment offices do not undertake to "place" students in appropriate jobs (the emphasis is on student initiative in seeking and selecting appropriate placements), assistance in developing job search skills is made readiy available to them.

Career-related experience is emphasized in all phases of the student-employment process. Employers are urged to identify the skills and experiences their positions can offer when they submit job descriptions. In the formal orientation to the Work-Study program, students are encouraged to evaluate their job offers in terms of learning opportunities as well as salaries. The provision of academic- or career-related learning opportunities is a requirement for employers who wish to fill positions under the State Work-Study program. In addition, there are several Cooperative Education programs at the University—programs which enable students to alternate periods of academic preparation with periods of career-related employment.

3. In working with businesses in the community and across the state, how would you structure a work-study program to best suit the needs of the student? Please keep in mind budget constraints.

We would modify the federal Work-Study program to allow placements in private, for-profit organizations as well as the governmental and non-profit institutions currently included in the program. Presently, the Washington State Work-Study Program permits such placements, and our experience shows that this practice is in the best interests of students, allowing them to take advantage of the greatest possible range of on-the-job learning opportunities.

4. Studies seem to indicate that many students in higher education facilities are older than in previous years, how do you believe our loan and grant programs should be revamped to assist these students?

Although various national reports indicate shifts of enrollment patterns, the enrollment on this campus continues to reflect the traditional pattern. For example, 80 percent of our undergraduates in the 1984–85 academic year were 25 years of age or under, and almost 69 percent were 22 or under. These percentages are consistent with those of past years.

The University does enroll a small percentage of older, non-traditional students, however, and many of them evidence extraordinary financial needs. For instance, the estimated cost for a single parent with one dependent is $10,428, and family responsibilities often limit the extent to which the students can work while attending school full-time; childcare, transportation and medical expenses place additional financial burdens on them. Consequently, such students rely heavily on non-work forms of financial aid, and their needs can best be met by increased flexibility in loan and grant limits and by ensuring that the aid programs are funded at adequate levels.

Again, I apologize for this somewhat belated response to your letter, and hope these comments are helpful.

Sincerely yours,

ERNEST R. MORRIS,
Vice President.

PREPARED STATEMENT OF LISA M. BROWNLEE, PRESIDENT OF THE GRADUATE AND PROFESSIONAL STUDENT SENATE, UNIVERSITY OF WASHINGTON, SEATTLE, WA

Graduate degree programs serve a principal role in honing the United States' competitive edge; today's graduate students are tomorrow's scientists, engineers, humanists. Of equal importance, today's graduate students are the next generation of university faculty and researchers, leading, in turn, future generations of aspiring scholars. The reauthorization of the Higher Eduacation Act should underscore graduate education's distinction and recognize graduate students' critical role in the nation's future.

The graduate student's distinct financial needs, too, must be recognized. In order to attract the most brilliant scholars to our universities, it cannot be forgotten that these students, in choosing to further their education, have resisted the immediate financial rewards of employment in business and industry. These students, too, have often incurred substantial debts while financing their baccalaureate degrees. Therefore, providing graduate students with the most rewarding and unencumbered program of financial assistance should be a priority when reauthorizing programs of financial aid in the Higher Education Act.

GRADUATE FELLOWSHIPS

Clearly, the most attractive and appropriate type of financial aid for graduate students is the fellowship. This type of aid allows a student the freedom to further his or her research and training without service responsibilities. Moreover fellowships do not burden the student with the concern of accumulating a debt beyond the level at which it would be, upon graduation, feasible to repay. Additional fellowships would attract the most able students to graduate degree programs and would serve both the nation's and the students' best interests.

COLLEGE WORK-STUDY

While this program has the important advantage of providing financial assistance without increasing a student's indebtedness, the time demands of graduate education, particularly if that education is being financed partially through a research or teaching assistantship, limit the hours a student can spend in work-study employment.

GUARANTEED STUDENT LOAN PROGRAM

The level of indebtedness at the graduate level is a serious concern. However, declining support through grants and fellowships in recent years has required increasing numbers of graduates to apply for GSL's. This program, therefore, should receive continued support. Two improvements, however, could enhance the attractiveness of the GSL as a funding option for graduate education: Loan consolidation and automatic independent status for graduate students applying for these loans.

Of the major financial aid programs offered to graduate students, the fellowship is, without question, the most appropriate and attractive option available to these students who have chosen to go beyond their baccalaureate degree. The reauthorization of the Higher Education Act should recognize the graduate student's distinct role as a critical link in the higher education continuum and in the nation's competitive future. The reauthorization of increased programs for graduate fellowships would provide this recognition.

WASHINGTON STATE UNIVERSITY,
Pullman, WA, September 18, 1985.

Hon. ROD CHANDLER,
Member of Congress,
Washington, DC.

DEAR MR. CHANDLER: Thank you for your letter of August 14, 1985, with which you enclosed some further questions from the recent hearing in Seattle on the Reauthorization of the Higher Education Act.

I have asked Lola J. Finch, Director of our Office of Scholarships and Financial Aid, for some comments on your questions, and I think the easiest way to reply to your letter is to send a copy of her comments.

Mrs. Finch expresses my views on these subjects also, and both she and I would welcome any questions or further comments you may have.

It was a pleasure for me to participate in the hearing on this Act, and I did appreciate being invited.

Sincerely yours,

SAMUEL H. SMITH, *President.*

WASHINGTON STATE UNIVERSITY,
Pullman, WA.

Memorandum To: Gen DeVleming, Executive Assistant President and Regents.
From: Lola J. Finch, Director Office of Scholarships and Financial Aid.
Date: September 11, 1985.
Subject: Comments and Positions for Dr. Smith to consider in his reply to Congressman Rod Chandler.

1. What are academic and practical limits of the Work-Study Program?

The concept of the federal work-study program is an excellent one: providing for eligible students to have a reasonable portion of their financial need met through earnings in a career or academic interest related job.

Earnings from part-time employment give balance to the "self-help" portions of students' financial aid packages. At WSU, at least fifty-five percent of students financial aid is in the form of "self-help", i.e. loans, work-study employment, non work-study employment and savings from students' summer earnings. The benefits of the work experience and the dollars earned, contributes to meeting the overall need of each student and also reduces the amount of loan to which a needy student becomes indebted.

Employment studies, and WSU's own experiences, confirm that a reasonable amount of part-time work during periods of enrollment has no negative effect on students GPA's and may, in fact, favorably impact students' organizational skills resulting in better time utilization. Certain academic disciplines' course loads preclude the average student from working any significant amount, however.

A practical limitation of any work-study employment program must be a realistic expectation of part-time work predicated on the academic workload of graduate and undergraduate students. If a student is enrolled full-time, the hours to be worked should not take precedence over academic endeavors. The numbers of working hours can logically escalate as the number of enrolled academic hours is decreased.

Historically at WSU, a full-time graduate student can realistically work an average of ten to twenty hours a week on an assistantship stipend. Certification on work-study for undergraduate students has been configured on less than twenty hours per week. Students are certified for a dollar amount per semester to insure compliance and to prevent financial aid over-awards. The majority of undergraduate students work an average of eight to fifteen hours per week.

Unfortunately, another practical limitation of the work-study program is the static level of the federal work-study funding which overall controls the number of students who can work during a given fiscal year.

2. Several people testified that a majority of students work to supplement educational costs. Where do most students work? What percentage is in a work-study program? Do institutions help with placement? Are efforts made to coordinate career goals with jobs?

Washington State University has an enrollment of about 16,100 students of which almost forty percent work to supplement their educational costs.

Approximately 6,000 students annually appear on the WSU payroll in addition to limited employment opportunities in the local Pullman community. A cursory analysis of this 6,000 figure reveals approximately 2,000 students are on graduate or undergraduate assistantship appointments, some of which are work-study funded positions. 3,000 students are regular part-time temporary employees and 1,000 students are work-study funded, on a part-time hourly wage basis.

Major employers of part-time temporary student help are the physical and maintenance plant division, the library system, residence halls and the student union, as well as all academic colleges and administrative units of the university.

Within the serious constraint of available staff, counselors in the Office of Scholarships and Financial Aid assist students in job placement only if they encounter difficulty in finding their own job. Considerable emphasis is given to provide job experiences relevant to career goals; the limitation being that mundane tasks are associated with the majority of entry-level type jobs and certain types of physical and clerical work are less relevant to career interests than others.

3. In working with businesses in the community and across the State, how would you structure a work-study program to best suit the needs of the student? Please keep in mind budget constraints.

Washington State University's location in a rural community seriously impacts the development of off-campus employment opportunities for students as compared to an urban setting.

The (Washington) State Work-Study Program encompasses profit-making employers which definitely benefit the metropolitan areas of the state and colleges located near them.

If both federal and state resources were increased considerably, dynamic summer employment programs could be devised. However, under present budget constraints, part-time employment during academic periods is of greater dollar benefit to students in that a portion of summer earnings are utilized for summer living expenses. All of students' academic year earnings can be directed toward educational costs.

4. Studies seem to indicate that many students in higher education facilities are older than in previous years. How do you believe our loan and grant programs should be revamped to assist these students?

There are more older students in higher education facilities than in previous years. Again, in its rural setting, WSU recruits a limited number of re-entry and single parent types.

An appropriate balance of grant versus "self-help" work and loan programs must be achieved through increased funding. The issue of balance becomes most crucial with higher need students, i.e. re-entry students, but is of growing concern for all needy students encumbering increasing amounts of loan indebtedness.

If work-study employment is to be a meaningful source of assistance to this particular group, then the academic progress expectation must be modified to allow for at least a six year matriculation to receive an undergraduate degree. This timetable taxes more aid resources as well.

WASHINGTON STATE UNIVERSITY,
Pullman, WA, July 9, 1985.

Congressman ROD CHANDLER,
Bellevue, WA.

DEAR CONGRESSMAN CHANDLER: Please accept the following as testimony to be submitted to the House Subcommittee on Postsecondary Education in their field meeting on July 22, 1985 in Seattle, Washington. Seeing first-hand the benefits cooperative education offers to students, I believe that the reauthorization of the Higher Education Act, including Title VIII, is imperative. I hae seen the positive changes in the lives of our students as a result of this institution being awarded cooperative education grants through Title VIII. Some of the major benefits have been:

Students have learned through meaningful experience, supplementing their academic skills, thus, have had a more complete education.

Students have gained maturity which has helped them improve their grades after their first professional opportunity to work.

Students have solidified their career choices by having gained experience related to their major.

Students have received pay which has enabled many to complete their education.

Institutionalization of cooperative education requires more than five years as the current law is written. Clark Kerr, in his postscript to Uses of a University, provides evidence that real institutionalization of a new idea into a higher education institution takes 10 to 20 years. Because of the long time period for true institutionalization of cooperative education projects, it will take a sustained commitment by the Federal Government to assist these institutions. Institutions must be able to obtain further assistance from time to time after the initial 5 year administrative grant to enhance their programs. This assistance is especially critical during times of diminishing resources for higher education.

Cooperative education is much more cost effective than other entitlement and grant programs. Entitlement, grant and loan programs provide substantial sums of money, in the billions, given to students with no return to the Federal government. Cooperative education is more cost effective for the Federal government because the income from students is taxed and administrative costs are less. Further, experiences students have are legitimate and make a substantial contribution to the national economic environment. All cooperative education programs are interested in placing students of all religious, ethnic, minority backgrounds and re-entry students regardless of income level.

Cooperative education provides students opportunities to complete their studies with dignity; not stimulate them to accumulate massive debts as is currently encouraged by present administrative policy. In my opinion, cooperative education, if substantially funded beyond current levels, would provide an opportunity for the Federal government to dramatically reduce financial aid distributed through Pell Grants, Guaranteed Student Loans, etc., and still provide students with the necessary resources for completing their educations.

If the Federal government takes the view that cooperative education is a method of assisting students to get through school as well as providing educational benefits, internship opportunities for these students must be made available. This can only be done by adding staff members to current cooperative education programs, which are severely understaffed in comparision to the populations they serve. For example, at Washington State University there are essentially three full-time professional people servicing 16,000 students.

For cooperative education programs to become successful and to increase their effectiveness, additional funds must be provided. But before the funds are provided, Title VIII must be included as a part of the reauthorization of the Higher Education Act. To this end I ask that you support Title VIII as a vital part of the Higher Education Act.

Sincerely,

TIM HILL,
Director, Professional Experience Program.

PREPARED STATEMENT OF THE GRADUATE AND PROFESSIONAL STUDENT ASSOCIATION AT WASHINGTON STATE UNIVERSITY, PULLMAN, WA, SUBMITTED BY MICHAEL VISLOCKY, GRADUATE AND PROFESSIONAL STUDENT ASSOCIATION PRESIDENT

Congressman Ford, my name is Michael Vislocky, President of the Graduate and Professional Student Association at Washington State University, and I am pleased to submit the following testimony in behalf of the GPSA at WSU.

The United States must invest in its own future as well as the future of the world. The world is increasing, on all levels, in its complexity and, as a part of the world, the United States needs people who are able to think and to reason. The successful future of our nation depends on knowledgeable people and skillful competition.

The student is a small but important part of the United States' future; they need to invest together in a common future. This can be done through scholarships, federally sponsored loans, and work study programs.

Scholarships provide non-repayable aid to students for achieving a high degree of excellence. Scholarships are essentially a gamble; a belief that the student will one day be a great asset to our nation. Never before in the history of our country has it been so important to have a college education and invest so heavily in our own human resources. The education of our people will ensure a continuance of excellence in leadership in this complex world.

Again, the success of our nation's future depends on the education of all our people, not just a few. Those people not able to qualify for scholarships need to fund their education in another manner. This means that a viable loan program and a work study program must exist. The investment in the future becomes a shared burden between the student and the government.

However, the financial burden must not be so great that it defeats its purpose. While in school, a student must be free to concentrate on academic achievements rather than financial problems. Additionally, after completing one's education the loan repayment schedule must be commensurate with one's earning ability.

In summary, if the loan amount available to each student (the annual amount and the total loan ceiling amount) does not adequately cover educational costs; and, if the repayment schedule is impossible to achieve in terms of length of time and monthly amounts, the investment will not provide the potential return.

Suggestions: (1) Provide more scholarships for those already in college; (2) Increase the loan ceiling, annually and totally; (3) Establish a loan consolidation program; and (4) Extend the loan repayment period.

THE WESTERN ASSOCIATION OF STUDENT FINANCIAL AND ADMINISTRATORS

July 19, 1985.

Hon. ROD CHANLDER,
District Office, Bellevue, WA

DEAR CONGRESSMAN CHANDLER: Enclosed are recommendations from the Western Association of Student Financial Aid Administrators regarding the Reauthorization of the Higher Education Act.

We understand the time constraints at the field hearing and appreciate the opportunity to have our written comments made part of the permanent record.

Should you have any questions or wish further information, please feel free to contact me at Lewis & Clark College, 0615 S.W. Palatine Hill Road, Portland, OR 97219, (503) 293-2676.

Sincerely,

DIANE TSUKAMAKI,
WASFAA President.

REAUTHORIZATION RECOMMENDATION, WESTERN ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS, JULY 1985

During the 1984-85 year, the Western Association of Student Financial Aid Administrators (WASFAA) sponsored two "Reauthorization Roundtable" invitational meetings, one in Portland, Oregon, and one in Los Angeles, California. Experienced aid administrators from each of the segments of post-secondary education including private four-year, public four-year, community colleges, and proprietary schools were invited. The purpose of these meetings was to discuss five issues that WASFAA believes to be potentially the most divisive issues facing the financial aid community in the reauthorization of federal student financial aid programs.

WASFAA believes it important that we attempt to achieve concensus on these issues. These five issues are as follows:

1. The institution campus-based funding formula—fair share; conditional guarantee; state allocations.
2. Undergraduate versus graduate funding priorities.
3. The definition of need and dependency status.
4. Loan programs—structure; eligibility; debt burden.
5. The Pell Grant Program—Maximum grant and percentage of cost provisions.

It is imortant to note that there are many other equally or perphas even more important reauthorization issues to be decided by Congress. However, these five issues are ones that WASFAA believes important to achieve consensus positions within the region.

The recommendations of the Portland and Los Angeles Reauthorization Roundtables were consolidated and reviewed by the WASFAA Executive Council, which is the elected leadership of the Association. The WASFAA Executive Council recommends the following:

I. THE INSTITUTIONAL CAMPUS-BASED FUNDING FORMULA—FAIR SHARE; CONDITIONAL GUARANTEE; STATE ALLOCATIONS

1. The present method for allocation of campus-based funds should be reviewed, revised and updated by a "Panel of Experts". By the time the Higher Education Act is reauthorized, it will be almost ten years since the original "Panel of Experts" met to make their recommendations regarding the campus-based allocation process. Since the original panel assumed significant increase in funding of campus-based programs over the years, and since the recent and current economic and political environment has not allowed this to occur to the degree envisioned, it is possible new directions may be recommended by a new "Panel of Experts". The present method is not only outdated and inequitable, but definitions of the components which comprised the formula need clarification, i.e., poverty levels and enrollment criteria. Additionally, WASFAA recommends that the possibility of regional versus national poverty levels be explored in establishing the criteria within the formula to reflect the significant variations and economic conditions within our country.

2. A conditional guarantee feature within the campus-based allocation process should be continued. It is essential that institutions be able to forecast a minimum level of federal student financial aid support with sufficient lead time to make timely awards to their students.

3. WASFAA supports the concept of distributing new funds on a "fair share" basis. Again, a thorough review of the criteria for distributing funds through fair share should be conducted by a "Panel of Experts".

II UNDERGRADUATE VERSUS GRADUATE FUNDING PRIORITIES

1. The national commitment to providing equal opportunity for all students to pursue higher education derived from the recognition that the political, social and economic health of the nation depends on a finely educated citizenry. This commitment demands the federal government authorize and fund those student aid programs necessary to augment reasonable parental and student resources in order to uphold the commitment to that educational opportunity. These programs should provide for the proper balance between grant and self-help assistance regardless of the student's chosen field of study. Funding these programs must continue to be the major national priority. Unitl such time as grants for undergraduates are fully funded, WASFAA would not support the extention of federal grants to graduate students.

2. This country's commitment to excellance and leadership in all areas of life, from the arts and humanities to the sciences and the professions, has led it to promote post-graduate education in all fields. This commitment demands the funding of appropriate programs to ensure that highly qualified scholars will have the opportunity to pursue their education at this level. It is further amongst the highest of national interests to provide supplemental program authorization and funding to ensure adequate manpower in areas critical to the national interests and to ensure access to groups historically underrepresented in post-graduate programs because of political, religious, social, economic, or any other artificial barriers.

III. THE DEFINITION OF NEED AND DEPENDENCY STATUS

1. The Uniform Methodology should be the system used for determining expected family contributions and financial need for all federal programs. In conjunction

with this recommendation, we strongly suggest that Uniform Methodology be modified to be more sensitive to the home equity of a family's principle residence. In addition, Uniform Methodology must maintain the ability for the financial aid administrator, according to his/her professional judgement, to adjust the family contribution from that derived under the Uniform Methodology in exceptional cases.

2. The current federal core document and application has largely been designed to use information reported from a family's 1040 federal income tax return. Greater emphasis should be placed on determining the total resources available to the family, versus adjusted gross income, in the determination of family financial contributions. The 1040 income would be used as a means to verify select types of income and expenditures.

3. WASFAA strongly recommends simplification of the application process through the development of applicant-oriented modular forms in order to promote receiving greater numbers of applications from the neediest students. For a significant portion of the population with fairly uncomplicated income and asset portfolios, the current Need Analysis forms already are far too complicated. More study and design work should be made to determine if modules could be designed in order to walk persons only through those parts of the application that are applicable to their specific family financial situations.

4. Students should be considered dependent for financial aid purposes if less than 22 years of age as of July 1 of the current application year. Students who are orphans or wards of the state or who are in an adverse family/home situation would be exceptions to this criteria. Students beyond the age of 22, must meet the current federal definition for independence. This new definition for independence would place with the parents the responsibility of funding the costs of education for students of traditional college age (18–22). Beyond that age, WASFAA believes that students should not be considered as independent for financial aid purposes until they have met the requirements of a lengthy separation from their parents and have indeed been self-supporting.

IV. LOAN PROGRAMS-STRUCTURE; ELIGIBILITY; DEBT BURDEN

1. Students who wish to borrow through the Guaranteed Student Loan (GSL) Program must be accepted or enrolled in courses leading to degrees or certificates. This would prevent borrowing from students who may be casually taking courses and would bring program eligibility in line with the campus-based and Pell programs.

2. Only students with demonstrated need for funds should be eligible to receive Guaranteed Student Loans. As indicated previously, WASFAA recommends that the Uniform Methodology, assuming that the modifications we recommend are incorporated (see item III), be used for all federal funds including GSLs. It does not make good public policy to automatically allow one set of students to be eligible for funds (i.e., those from families with adjusted gross incomes of $30,000 or less) while being much more stringent with those earning over $30,000. In addition, the adoption of one Need Analysis method would simplify what is now a very complicated process for students and aid administrators.

3. There have not been increases in GSL loan limits for many years. With educational and living costs having increased significantly over the years, increases appear in order. Therefore, WASFAA supports increases in loan amounts but strongly recommends that extended repayment periods and loan consolidation be implemented. WASFAA is also extremely concerned about increased indebtedness and student understanding of this debt burden. Therefore, we recommend that consumer information be required before such increases would be approved.

4. Student without demonstrated need as well as those who are not eligible for the maximum need-based GSL should be allowed to borrow loans on an unsubsidized basis up to the same amounts students can borrow under the GSL program (minus any eligibility for the need based GSL). These students normally should bear the full interest costs (perhaps, though, with a maximum interest rate of 15% being charged to the student should interest rates go beyond that level). The program should be structured to allow students to capitaize in-school interest costs in order to repay such after they leave school. This would allow students at little or no cost to the federal government the opportunity to borrow funds if they believe they were in need of assistance and did not othewise qualify for a maximum need-based loan. This would also allow some flexibility for students to attend a post-secondary educational institution if their parents refuse to provide the contribution expected of them in the need analysis determination.

5. The current 5 percent loan origination fee should be eliminated. Students should know that they can borrow a fixed amount of funds to use for educational

purposes. The loan origination fee only diminishes the students' abilities to receive the amounts they need for their educational costs.

6. The National Direct Student Loan (NDSL) limits should be increased to $5,000 for the first two years of undergraduate study; $10,000 for total undergraduate; and $20,000 total for combined undergraduate/graduate study. Once again, it is time that loan limits increase due to the considerable increases in costs over the recent years. Extended repayment periods, loan consoldiation, and consumer information should be implemented if such increases are approved.

7. The PLUS/ALAS program has minimal costs to the federal government. WASFAA recommends the elimination of the ceiling on PLUS/ALAS programs and to allow standard banking loan procedures to rule the meximums allowed by parents to borrow. Independent undergraduate and graduate students would be able to borrow a maximum of $5,000 per year, not to exceed the costs of education.

8. Loan consolidation programs for students which would permit loan repayments to extend up to 20 years, depending upon the amount borrowed and the student's ability to repay, should be reinstated. The benefits from the education that most students receive will be spread out over their entire lives. Although it is an appealing thought, and the desire for most to repay all educational loans as soon as possible, many are willing and better able to repay their loans over longer periods of time. This option would assist in decreasing default rates in the Guaranteed Student Loan Program and could be provided with minimal cost to the federal government.

9. Institutions should be required to return GSL and PLUS/ALAS loans to lenders if at the time of disbursement the student is no longer maintaining satisfactory academic progress. The current GSL Program regulations which require disbursement of GSL and PLUS/ALAS loans in such cases even if the student is no longer maintaining satisfactory academic progress, is an affront to common sense and overall program integrity. These programs should be brought in line with the other campus-based and Pell Grant programs.

V. THE PELL GRANT FORMULA—MAXIMUM GRANT AND PERCENTAGE OF COST PROVISIONS

1. Maximum Pell Grant awards should be increased to $2,700 by the 1986–87 academic year. Future grant amounts should at least keep up with the level of inflation by requiring annual adjustments to the meximum awards by at least the amount of the annual Consumer Price Index (CPI) increases. The grant components compared to the loan-work components of many needy undergraduate students' financial aid awards are now out of balance. There needs to be a significant counterbalance to reverse and correct this imbalance. The $2,700 figure would make up for at least several years of lost purchasing power of Pell Grant recipients.

2. The cost of education provisions should be revised in order to be more reflective of true costs. By the 1986–87 academic year, such costs should be at least $1,500 for students living with parents; at least $2,500 for students off campus but not living with parents; and the documented or average costs for students living in campus residences. In addition, an allowance for books, supplies, and miscellaneous expenditures should be added along with actual costs of tuition and fees as determined by the institution. Such reasonable costs, once determined, should be upadated annually by increases in the CPI.

3. Assuming larger maximum grants (as recommended in Item 1), and more reasonable educational costs (as recommended in Item 2), the meximum grant should be limited to 50 percent of the cost of attendance.

4. WASFAA strongly recommends that the Multiple Data Entry (MDE) processors such as the College Scholarship Service and Amercian College Testing be able to determine Pell Grant eligibility and that the central processor be eliminated. The Student Aid Report, as we know it, is an unnecessary, confusing, time consuming, and frustrating process for students, parents, and institutions. Nearly identical results could be achieved at far less expense and frustration if MDE processors such as CSS and ACT were able to communicate Pell grant eligibility on their existing forms to both students and institutions. Additional savings to the federal governemnt would also occur.

SEATTLE UNIVERSITY,
Seattle, WA, October 7, 1985.

Hon. ROD CHANDLER,
Member of Congress, Washington, DC.

DEAR ROD: I appreciated very much having a chance to appear in July before Congressman Ford's Committee which was holding a hearing in Seattle on the reauthorization of the Higher Education Act. In response to your written questions, I am attaching information prepared by our Director of Financial Aid. I hope this will be helpful to you and is the kind of information you are seeking. I would, of course, be happy to provide any further information or clarification which you or the committee might want.

Thank you for your interest and efforts on behalf of higher education.

Sincerely,

William J. Sullivan, S.J.,
President.

1. What are the academic and practical limits of the Work Study Program?

Academic limits are set by federal regulations which require that students must make satisfactory academic progress to be eligible to participate in the Work Study Program. Defining "satisfactory academic progress" is left up to the individual institutions, but includes the minimum cumulative gpa which must be maintained, and the number of credits which must be completed.

Practical limits for the number of hours a student can work are set by federal regulations at twenty (20) hours per week that the student can work while enrolled in school and forty (40) hours per week during periods of non-enrollment.

2. Several people testified that a majority of students work to supplement educational costs Where do most students work? What percentage are in a Work Study Program? Do institutions help with placement? Are efforts made to coordinate career goals with jobs?

The majority of students do work to supplement their family's contribution toward educational costs. Many students work on campus in positions (ranging from grounds maintenance to teaching assistants). The majority, however, work off campus. Approximately 90 percent of the students at Seattle University work. I suspect this is fairly typical for students at independent institutions. Of that percentage 12 percent work on-campus in work study positions (80 percent of wages funded by the federal government/20 percent by the institution), 7 percent work off-campus in State work study positions (65 percent of wages funded by state government/35 percent by employers) and the balance in non-work study jobs (100 percent of wages funded by employers) in the community.

At our institution, not unlike many others, any student interested in working part-time is assisted in finding a job in two ways. First, a concentrated effort is made to locate part-time positions in the general vicinity of the University including downtown Seattle, for both the student who is eligible for work study and the student who is not. Second, students are assisted in selecting the employers they will contact about positions that will best fit their needs. Whenever possible, students are referred to positions which are educationally related (i.e. bears relationship to their formal academic program) and/or educationally beneficial (i.e. provides valuable learning experience). This is, in fact, a requirement of our State Work Study Program.

3. In working with businesses in the community and across the state, how would you structure a work study program to best suit the needs of the student? Please keep in mind budget constraints.

In my estimation our State Work Study Program presents an excellent model. Perhaps there would need to be some consideration given to a requirement that a percentage of the funding be used for off-campus positions. The State's requirement for specific job descriptions, educational relatedness, comparable wages for comparable work, all contribute to generating valuable on-the-job training opportunities for students.

4. Studies seem to indicate that many students in higher education facilities are older than in previous years. How do you believe our loan and grant programs should be revamped to assist these students?

One suggestion would be for a portion of the assets of an independent student to be protected in a manner similar to the manner in which the parents assets of a dependent student are protected. Currently they are treated quite differently.

For example: Dependent student; Family size of 3; Adjusted gross income of $30,001; Family contribution: $2,890; Eligible for Guaranteed Student Loan of $2,500 as undergraduate or $5,000 as graduate.

Independent student; Family size of 3; Adjusted gross income of $30,001; Family contribution: $16,500; Eligibility for Guaranteed Student Loan: $0.

THE UNIVERSITY OF PUGET SOUND,
September 3, 1985.

Hon. ROD CHANDLER;
House of Representatives, Washington, DC

DEAR ROD: Thank you for the opportunity to respond to your questions about federal financial aid programs. I shall attempt to do so as succinctly as possible, taking each question in order.

1. The academic and practical limits of the work-study program are virtually unlimited. The program is not difficult to administer, it is equally beneficial to students and employers, and its applications are limited only by the imagination and creativity of the student employment staff. Work-study positions, as the program is currently structured, may be developed in any field. Given budget restraints, the only practical limitation is therefore one of balancing the priorities of the needs of employers and the financial and educational needs of students.

2. It is true that most students today must work part-time and during the summer to finance their education. About two-thirds of the students at the University of Puget Sound are employed during the academic year, and nearly all students work during the summer.

People are often surprised to find that the need for student employment opportunities is even more pronounced for students at independent colleges than it is for their counterparts at public institutions. The image of the independent schools as the exclusive preserve of the wealty, however, is quickly dispelled by reference to a study a few years ago which reported that the average family income for students at the state's two largest public institutions was $1,000 higher than for students attending the state's independent schools. Similarly, studies for the State of Washington bear out that there is a significantly higher percentage of employed students at independent colleges than at the two largest public universities.

Of our own students who are employed during the academic year, approximately 40 percent are employed through federal or state work-study programs. These students work in every conceivable capacity, from writing to computer programming, both on and off campus. Every effort is made to assist students with placement and to develop jobs that offer meaninful work experience and that relate closely to individual interests and aspirations. Students' skills and previous experience are assessed individually by trained staff members. On the basis of this information, students are then individually assigned to positions for which they are qualified or in which they have expressed a particular interest.

I should also observe, however, that the University does not specifically attempt to place students in career-related jobs. As a liberal arts institution, we seek instead to place students in positions where they will develop excellent work habits and a breadth of skills and interests which can then be applied to any career. It is not wise, we feel, for students to seek narrow vocational training, or even to make a final career decision, until they have had an opportunity to gain the broader intellectual skills that will enable them to succeed in whatever careers they eventually choose. For this reason, we hope that the federal work-study program will be left relatively unconstricted so that it can be used to support this particular and very important mission of the liberal arts schools.

Student employment is a trend that we will continue to encourage at our institution not only because it enables students to contribute to their own financial support but also because students who work tend to perform at a higher level academically and are more likely to complete their degrees. Student employment funds, moreover, will become increasingly important in the coming decade for the simple reason that a larger proportion of the college-age population will consist of minority students, most of whose families do not have the financial resources to sent their children to college, let alone to independent institutions, without generous grants of financial assistance.

Yet it is particularly these students—the low-income and minority—who need to enjoy the same choice that wealthier students have to attend any college, whether public or independent, that best meets their individual needs. Repeated studies confirm the fact that low-income and minority students consistently perform better and are more likely to complete their degrees when they are able to take advantage of the personalized learning environment of the small independent colleges. It should also be noted in his context that minority enrollment at independent institutions tends to be far higher than is commonly supposed. The University of Puget Sound, for example, currently has the fourth highest percentage enrollment among all 15 public and independent colleges and universities in the State of Washington. (The University of Washington is the only public university that ranks higher than the University of Puget Sound in this regard.)

3. Higher rates of pay and meaningful work experience are the two most significant needs of students employed through the work-study program. These two needs, of course, are quite closely related since the more interesting and challenging jobs are also the ones which command the higher rates of pay.

A third need which I would like to emphasize is the need for students to find employment on campus if at all possible. This eliminates the problems and costs of transportation, increases effective study time, and contributes significantly to academic and personal growth through closer interaction with the campus community. Certainly the most important consideration for students is being able to participate in a workstudy program with minimal disruption of their class schedules and study time. I need hardly emphasize that students are on campus to study, not to work, and that the primary purpose of the work-study program is to provide financial assistance to students so that they can do what they are here to do.

4. We do not feel that current loan and grant programs need to be changed significantly in order to meet the needs of an older student body. Indeed, I question whether older students in fact have greater financial need and whether they should be given special consideration. Many older students have already gained experience in the job market; and others have spouses earning income to cover at least part of the cost of an education. The students we should be helping more, it seems to me, are the younger students who have no income of their own and who are not yet in a position to assume as much of the responsibility for their educational costs.

There are, however, several changes in current programs that would significantly benefit all students, whether younger or older. Three in particular deserve the closest possible attention.

First, I would urge careful consideration of the proposal for the Pell Grant Program which has been submitted by the National Association of Independent Colleges and Universities. The proposal is complex but what it basically does is to concentrate Pell Grants on direct educational costs—primarily tuition and fees—rather than the indirect costs, or living expenses, which are roughly the same for all students regardless of the institution which they attend. The most needy students, of course, would also be able to receive support for living expenses, but this proposal would enable them to select the college or university, whether public or independent, which most closely meets their educational needs.

Secondly, I would like to see the definition of an "independent" student revised and tightened so that parents are called upon to provide support when they are capable of doing so. With certain exceptions, such as orphans, wards of the state, and honorably discharged veterans, students under age 23 should be considered dependent upon their parents for financial aid purposes. If a student's parents are unable to provide support, their lack of ability will be taken into account in the calculation of the student's financial need. If they are able to provide support, they should do so in order to make more aid available to students who need it.

Thirdly and finally, the Guaranteed Student Loan Program should be limited to need remaining after all federal grant, work, and loan benefits, together with all expected parental and student contributions, have been taken into account. In an era of limited funding, there is no justification for a program based on considerations other than financial need. If families can afford the cost of an education, they should be asked to assume that responsibility. Any other policy undermines public support for the whole concept of aid to higher education.

These three measures, if adopted and rigorously enforced, will do more to address the needs of the 1980s than any other actions which could be taken at the federal level. If must be borne in mind that the states are now providing substantial and ever increasing subsidies to the public institutions. Independent institutions, which must raise tuition to cover the cost of education, are being placed in an increasingly disadvantageous position as a result. The rising tuition gap between public and independent institutions will be the single most important challenge facing American higher education in the next decade. It is vital to take the necessary steps now that will preserve our dual system of public and independent education so that we do not force more and more students into the public sector at a far greater cost to the taxpayer.

As a final note on providing assistance to older students, we would also like to suggest that the administration of the Pell Grant Program be handled at the institutional level in order to facilitate the application process. Many older students must now complete the Federal Special Condition Application, a lengthy, frustrating experience for most applicants. Processing at the institutional level would streamline this process considerably. Faster responses would be of great assistance to older students who suddenly find themselves in changed financial circumstances and in need of timely information about total available aid.

I realize I have only touched on some of the issues that could be raised in response to your searching questions. Please let me know if there is additional information we can provide either in response to these or other questions you may have. Thank you for your continuing interest in the financing of higher education.

Sincerely,

Philip M. Phibbs,
President, University of Puget Sound.

Spokane Community College
Spokane, WA, July 18, 1985.

Congressman Rod Chandler, Bellevue, WA

Dear Congressman Chandler: Please accept the following as testimony to be submitted on Postsecondary Education in their field meeting on July 22, 1985 in Seattle, Washington.

I encourage you to support the reauthorization of the Higher Education Act, including the Cooperative Education Program, Title VIII.

Title VIII grant awards not only allow higher education the opportunity to establish one of the most cost effective programs in education, but the outcome are almost a necessity for today's changing work environment.

Listed below are some major benefits derived by students, colleges, and employers as a result of Cooperative Education Title VIII funds.

The student (reasons students give for wanting Co-op).

Obtain a practical work experience in my field of study. —

Personal growth (develop confidence and learn to interact professionally)

To enhance my classroom training.

To earn money to support myself in college.

To help in choosing a career.

To work with equipment the college doesn't have.

Obtain full-time placement upon graduation.

The college (reasons administration and faculty give for working with Co-op).

Co-op puts instructors in direct contact with business and industry so we (educators) can develop curriculums that are relevant, applicable, and up-to-date with practices from today's work environment.

Cooperative Education creates an exciting partnership with the business world for developing relevant college programs for the students.

Community colleges with Co-op programs are teaching students to meet community needs.

Cooperative Education provides opportunities for individualized instruction and can effectively overcome the barriers for handicapped and minority students.

The employer (reasons employers give for wanting Co-op).

To become part of ther educational process.

To provide experience, space, and equipment educational agencies are unable to fund.

To pay students an acceptable wage to help defer the expenses of their rising college costs.

To help bridge the gap of theory in the classroom and the practical application found in the work place.

To hire a better prepared and more qualified graduate.

Cooperative Education is a self-help program and not a handout or loan. It reinforces the work ethic in students and instills in all people a respect for American free enterprise and for the value of money earned through work. It makes education affordable to students from all income levels.

Again, I encourage your support for the Cooperative Education Title VIII Program as a vital part of the Higher Education Act.

Sincerely,

Robert A. Failing,
Cooperative Education Director,
Spokane Community College.

Central Washington University,
Ellensburg, WA, July 17, 1985.

Congressman Rod Chandler, Bellevue, WA

Dear Congressman Chandler: Please accept the following as testimony to be submitted to the House Subcommittee on Postsecondary Education in their field meeting on July 22, 1985 in Seattle. As principal administrator for Cooperative Education at Central Washington University since 1972, I can attest to the value of Cooperative Education and I urge that every effort be made to continue the important federal initiative on behalf of this concept through Title VIII of the Higher Education Act.

The level of funding for Cooperative Education, approximately $14 million annually, is almost microscopic by comparison to entitlement, grant and loan programs for financial assistance to students, which together are funded at about 1000 times the level of Cooperative Education. However, "Co-op" yields disproportionately high beneficial returns by comparison. Funding Cooperative Education amounts to "spending smarter" rather than spending higher.

Co-op (Title VIII) funding promotes establishing programs within colleges and universities for these purposes and benefits:

Co-op students are placed in career and academically related professional work experiences with employers of all kinds, public and private, who pay students regular, unsubsidized wages for their work.

Co-op students are taxed on their earnings, which generate revenues to the government many times greater than the amount of funding allocated to set up the programs.

Co-op experiences are repeatedly alternated with on-campus study periods so that academic theory is extensively integrated with actual experience in directly related work assignments.

Co-op students earn their own way through school, while also getting a more balanced education.

Co-op schools and Co-op employers are drawn to work more closely together which provides mutual and reciprocal benefit for improved human resource development on the one hand and for more up to date curriculum development in more critically important fields on the other hand.

Co-op is openly available to all students without regard to race, creed, sex, socioeconomic class, or other non-job related distinctions.

Beyond financial help, Co-op students benefit by improved self confidence and motivation resulting from having a more meaningful role in society, by gaining an improved understanding of their academic field based on real, concrete experiences, by improving their opportunities to test, confirm and develop in the career directions they are considering, and by improving their odds for successful career placement at graduation.

With all these benefits, at such a low cost, one might wonder why any federal subsidy at all is needed for Co-op. Indeed, at a few institutions, including Northeastern University, University of Cincinnati, Drexel University and Antioch University, Cooperative Education was established independently. But other institutions have not been quick to adopt their models, particularly outside of engineering and a few other fields, and only as a result of the limited federal incentive funds that have been available in recent years. The reasons for this slow movement are that Co-op is a relatively recent federal initiative, it has never been funded in an amount sufficient to firmly establish a viable alternative to other methods of financially assisting students, and it supports an ethic that is fundamentally different from a prevailing attitude on campus, i.e., toward education that seeks greater involvement with the real world rather than withdrawal and toward learning, at least in part, on the actual job rather than by abstraction in the classroom.

This is a worthy ethical pursuit, and a cost effective way of supporting students and promoting cooperation between industry and academia and it deserves the strongest possible support for continuation in the reauthorization of the Higher Education Act. Indeed, it is time to extend the Cooperative Education concept to more students of more disciplines at more institutions by funding Title VIII at a substantially higher level. I ask your support and that of the House Subcommittee.

Sincerely,

V. GERALD REED,
Director, Cooperative Education and Internships.

OREGON ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS,
July 19, 1985

Hon. ROD CHANDLER,
House Education and Labor Committee, Bellevue, WA

DEAR CONGRESSMAN CHANDLER: The Oregon Association of Student Financial Aid Administrators appreciates the opportunity to present written testimony to the

House Education and Labor Committee. We will limit our comments and recommendations to the following topics:

Campus Based Aid Program Funding Formulas—State allocations; fair share; conditional guarantees.
Undergraduate versus Graduate Funding Priorities
The Definition of Need and Dependency Status
Loans Programs—Eligibility; loan limits; loan consolidation.
The Pell Grant Program—Maximum grant amount; determination of need.
Satisfactory Academic Progress

CAMPUS BASED AID PROGRAM FUNDING FORMULAS

1. The current components that make up the State Allocation Funding Formula need to be updated to make the distribution formula a more fair process. These components include: definition of the poverty level, specific enrollment criteria, and relevant demographic data.

2. We support the concept of conditional guarantees of funding to preclude states and institutions from receiving precipitous reductions in student financial aid allocations. After the conditional guarantee factors are taken into consideration, any "new" funds should be distributed on a fair share basis. However, we believe that the elements that determine the fair share allocations should be reviewed, and where appropriate, revised to more accurately reflect the need of students at institutions with large non-traditional or part-time student populations.

3. We compliment the Department of Education for bringing in a "panel of experts" to make recommendations regarding the campus based allocation funding process. However, since it has been approximately ten years since the original panel was formed, we recommend that a new panel of experts be commissioned by the Congress and the Department of Education to review the current fair share/conditional guarantee system and make recommendations for how the system should be best structured in the years to come.

UNDERGRADUATE VERSUS GRADUATE FUNDING PRIORITIES

We support the concept that federal student financial aid programs should strive to provide access and, to a degree, choice for undergraduate education over graduate education.

THE DEFINITION OF NEED AND DEPENDENCY STATUS

1. We believe that the current Uniform Methodology is the best system now available for determining expected family contribution and financial need and that the Pell Grant system for determining family financial contributions is inferior and should be eliminated. Therefore, we recommend that Uniform Methodology should be the system used for determining expected family contributions and financial need for the Pell Grant, College Work-Study, National Direct Student Loan, and Supplemental Educational Opportunity Grant programs.

2. We recommend that more stringent requirements be developed for a student to meet before the student would be considered independent of parents for financial aid purposes.

LOAN PROGRAMS

1. Eligibility for borrowing under the Guaranteed Student Loan program should be limited to students who are regular students of the institution and are pursuing a degree or certificate program.

2. The current five percent loan origination fee should be eliminated.

3. We recommend increasing the National Direct Student loan limits to $5000 for the first two years of undergraduate study, $10,000 for total undergraduate study, and $20,000 total for combined undergraduate/graduate study.

4. We recommend increasing the Guaranteed Student Loan limits to $3000 per year for undergraduate borrowers and $7000 per year for graduate borrowers. The aggregate loan limits should be increased to $15,000 and $35,000 respectively.

5. Parents of dependent undergraduate students and graduate student borrowers should be allowed to borrow up to $5000 per year from the PLUS/ALAS program.

6. We support reinstating a loan consolidation program for students which would permit loan repayments to extend up to 20 years, depending upon the amount borrowed and the student's ability to repay.

THE PELL GRANT PROGRAM

1. Maximum Pell Grant awards should be increased to $2700 for the 1986–1987 school year and future grant amounts should at least keep up with the level of inflation by requiring annual adjustments to the maximum awards by at least the amount of the annual Consumer Price Index increase.

2. The cost of education provisions for this program should be revised so as to be more reflective of true cost.

3. We recommend that the Multiple Data Entry processors, such as the CSS and ACT, be allowed to determine Pell Grant eligibility without the need for a central processor. The process as it now exists, with the use of a central processor and the Student Aid Report, is an unnecessary, confusing, time consuming and frustrating process for students, parents and institutions. Nearly identical results could be achieved at far less expense and frustration if the Multiple Data Entry processors were able to communicate Pell Grant eligibility on their existing forms to both students and institutions.

SATISFACTORY ACADEMIC PROGRESS

We strongly support the premise that students should be expected to maintain satisfactory academic progress toward completion of their educational objectives while receiving financial assistance. However, we recommend that Title IV of the Higher Education Act, Sec. 484(a)(3) be amended to read as follows:

(3) "If the student is presently enrolled at an institution, be maintaining satisfactory progress in the course of study the student is pursuing while receiving such aid, according to the standards and practices of the institution at which the student is in attendance";

We appreciate your attention to our written testimony and if further clarification is needed, please contact us.

Respectfully,

Edmond Vignoul,
OASFAA President.